

**CITY OF MOUNTAIN VIEW  
MEMORANDUM**

DATE: April 29, 2010

TO: City Council

FROM: Kevin C. Duggan, City Manager

SUBJECT: MAY 4, 2010 STUDY SESSION—GENERAL OPERATING FUND  
BUDGET BALANCING BLUEPRINT

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**RECOMMENDATION**

That the City Council endorse the proposed General Operating Fund "Budget Balancing Blueprint" to serve as the basis for the completion of a proposed budget for review by the City Council in public hearings in June.

**INTRODUCTION/BACKGROUND**

The national, State and regional economies are still struggling to recover from the greatest economic downturn since the Great Depression. The effects of this "great recession" continue to challenge the City's finances, particularly the General Operating Fund. The General Operating Fund primarily obtains its resources from tax sources that are vulnerable to the performance of the overall economy. We are currently experiencing a period when General Operating Fund revenues are not only not growing sufficiently to meet the growth in General Operating Fund expenditures, but have actually declined. While there are indications that the overall economy is beginning to stabilize, there is little expectation that the recovery will be either quick or dramatic. Additionally, as we have previously reviewed, the performance of many of our local revenues lag behind the economy and may be slow to recover.

Last spring, the City faced an estimated \$6.0 million deficit to the General Operating Fund for Fiscal Year 2009-10. Through a number of significant actions, including expenditure/service reductions, assuming a significant amount of annual budget savings "up front," and employee compensation cost containment (through the cooperation of several employee organizations), the structural deficit was reduced to \$1.6 million.

The carryover of this deficit plus cost rise in a number of expenditure areas (primarily employee compensation) and little revenue growth results in a projected Fiscal Year 2010-11 General Operating Fund structural deficit for a "status-quo" budget of

approximately \$4.3 million. It is critical to the City's ability to stabilize its financial condition to manage this structural deficit aggressively. Without such action, the deficit will prevent the City from fully recovering even when the economy improves and will likely result in a continuing cycle of budget reductions (services and staffing) over a number of years. Recognizing the need to eliminate this projected deficit while attempting to minimize the negative impacts on our residents, customers and employees, a wide array of additional efficiency measures, expenditure reductions and revenue alternatives have been developed and reviewed with the City Council in previous Study Sessions.

The purpose of this report is to distill the information and alternatives previously provided into a proposed "blueprint" for developing a structurally balanced General Operating Fund budget for Fiscal Year 2010-11. In addition to the recommended strategy, potential alternatives, primarily alternative expenditure reductions, are also provided.

### **PROCESS TO DATE**

The City Council and staff have engaged in a very intensive and unusual budget process for Fiscal Year 2010-11, starting immediately after the adoption of the Fiscal Year 2009-10 budget last June. This accelerated and iterative process was in recognition of the challenges the City faced in developing a responsibly balanced budget for the upcoming fiscal year and in recognition that a fully structurally balanced budget was not achieved for Fiscal Year 2009-10. A summary of the process up to this point is as follows:

- **June 23, 2009:** Initial budget Study Session for the Fiscal Year 2010-11 budget. At this Study Session, a preliminary discussion was held regarding the anticipated challenges for balancing the Fiscal Year 2010-11 budget, including the existence of a carryover deficit from the Fiscal Year 2009-10 budget.
- **September 29, 2009:** A report on the preliminary work done on examining potential expenditure reductions and a discussion further refining the remainder of the process.
- **November 4 and November 7, 2009:** Community Budget Briefing Workshops.
- **January 26, 2010:** A budget workshop to review and confirm a proposed budget strategy, approach and principles on which to develop a proposed budget.
- **February 23, 2010:** A review of potential General Operating Fund expenditure reductions.

- **April 6, 2010:** A review of potential revenue/fee for service adjustments and a proposed recreation program cost recovery policy.
- **April 13, 2010:** A review of current, carryover and potential new Major City Goals.
- **April 20, 2010:** Review of a proposed Five-Year Capital Improvement Program.

#### **UPDATED GENERAL OPERATING FUND STATUS FOR FISCAL YEAR 2009-10**

Finance staff has continued to monitor General Operating Fund revenues and expenditures for the current fiscal year. Now that we are in the fourth quarter of the fiscal year, estimates have a greater level of confidence, but final fiscal performance information will not be available until after the close of the fiscal year. Consequently, the information that is available now will be the basis for the Fiscal Year 2010-11 proposed budget.

As noted above, the projected structural deficit for the current year is estimated to total \$1.6 million—the same amount as adopted in the budget last June. At the time of the preparation of the Mid-Year Budget Status Report, it appeared that the structural deficit had grown to approximately \$2.4 million (due to poorer than estimated revenue performance), partially contributing to the then projected \$5.0 million structural deficit for Fiscal Year 2010-11. However, the most recent estimates (detailed in Attachment A) are somewhat more optimistic for the current fiscal year and reduce the challenge for next fiscal year. While we need to be cautious recognizing that we are still in very challenging economic times and that many General Operating Fund revenues are difficult to forecast and are subject to significant fluctuations, it appears at this time that overall General Operating Fund revenues will perform this year essentially as predicted at the time of the budget adoption last June.

Updated analysis also indicates that we have achieved greater than previously estimated General Operating Fund budget expenditure savings for the current fiscal year. Our efforts to aggressively manage expenditures is paying off. While \$2.6 million of budget savings had been "budgeted" in the adopted budget to offset expenditures, the current estimate is that General Operating Fund budget savings will total \$4.4 million. Based on this estimate, it appears that these additional savings will allow the General Operating Fund budget to complete Fiscal Year 2009-10 balanced on a "cash" basis (actual revenues versus actual expenditures). If this is the case, the budgeted \$1.6 million of Budget Contingency Reserve funds will not be needed to backfill the budget this year. While this is very good news, it still needs to be understood that the current fiscal year's budget still has a structural deficit and was only able to be balanced on a "revenue-in/expenditure-out" basis by aggressively underexpending the budget.

**UPDATED PROJECTION OF REVENUES, EXPENDITURES AND STRUCTURAL DEFICIT FOR FISCAL YEAR 2010-11**

As noted above, General Operating Fund revenues for the current fiscal year are estimated to total approximately what was projected with the adoption of the budget last June (\$86.6 million). General Operating Fund Revenues for the last several fiscal years is as follows:

- Fiscal Year 2006-07 (Actual): \$85,141,000
- Fiscal Year 2007-08 (Actual): \$88,140,000
- Fiscal Year 2008-09 (Actual): \$87,963,000
- Fiscal Year 2009-10 (Estimated): \$86,634,000
- Fiscal Year 2010-11 (Projected): \$86,986,000

As noted above, revenues have not only been insufficient to match the normal growth in expenditures; they have declined significantly during the recession.

Currently, estimated General Operating Fund revenues for Fiscal Year 2010-11 (excluding the revenue adjustments recommended) total \$87.0 million. With expenditures estimated to increase \$3.2 million if a "status-quo" budget were adopted, the current General Operating Fund structural deficit (\$1.6 million) would increase to \$4.3 million without any corrective actions being taken.

Major General Operating Fund revenue projections for Fiscal Year 2010-11 are outlined in Attachment A. In summary, most revenues, including the major categories of Property Tax, Sales Tax, Transient Occupancy Tax, Utility Users Tax, etc., are projected with mild growth. This revenue performance is insufficient to address the estimated increase in expenditure costs for a "status-quo" budget.

Based on preliminary projections earlier in the budget process, the estimated General Operating Fund structural deficit for Fiscal Year 2010-11 was \$5.0 million. As noted, based on updated revenue projections for the upcoming fiscal year, the currently projected structural deficit is \$4.3 million. This change is primarily due to the modestly improved revenue projections for Fiscal Year 2009-10 that is also having a positive effect on the projections for Fiscal Year 2010-11.

The components of this projected deficit are the following:

•	Carryover Deficit in Fiscal Year 2009-10	\$1,609,000
•	Increased Budgeted Revenue Projected	(329,000)
•	Compensation Cost Increases	2,766,000
•	Net Other Increases	<u>242,000</u>
		<u>\$4,288,000</u>

The primary cause of the projected deficit is the growth in ongoing operating costs without a commensurate growth in revenues to support that growth. The principal reason for this growth is increases to employee compensation in a wide range of categories, including salary (previously negotiated cost-of-living increases, step increases and merit increases) and benefit cost increases (health insurance, etc.).

The categories of compensation cost rise for Fiscal Year 2010-11 are the following:

•	"Cost-of-Living" Salary Increases	\$ 773,000
•	Merit/Step Salary Increases	691,000
•	Pension (PERS) Cost Rise	534,000
•	Medical Insurance Cost Rise (estimated)	663,000
•	Retirees' Medical Insurance Cost Rise	<u>105,000</u>
		<u>\$2,766,000</u>

The category of compensation expenditure cost rise makes it challenging to develop a structurally balanced General Operating Fund budget since we began with a "carryover deficit" of \$1.6 million and revenues are projected to grow only \$329,000 over the budget from the current fiscal year. These numbers clearly reflect why assistance from employee organizations regarding compensation cost containment is critical to adopting a structurally balanced budget to reduce the negative impact on residents, customers, services and employees that will otherwise be necessary from expenditure reductions.

Ongoing other noncompensation cost increases have been limited to a dramatic degree with such costs increasing an estimated \$571,000 which is less than 1.0 percent of the General Operating Fund budget.

#### **GENERAL OPERATING FUND BUDGET BALANCING BLUEPRINT**

As noted above, the ability of the City to successfully emerge from the current economic downturn will be determined by the degree to which the current and projected General Operating Fund structural deficit is addressed. Since a quick and robust turnaround is not anticipated, if the projected deficit is not resolved, the City could find itself

suffering, service and staffing reductions for many years into the future while depleting reserves. Unless the City's General Operating Fund is at or close to "break even" when the economy recovers, it will be very difficult to resolve the structural deficit without even more difficult budget reductions.

The proposed budget balancing blueprint outlined in this report is critical to the strategy to reduce the City's financial vulnerability. It builds on the "Three-Prong Strategy" previously endorsed by the City Council to use a combination of operational efficiencies/expenditure reductions, enhanced revenues and compensation cost containment to achieve a structurally balanced budget. With feedback from the City Council regarding this proposed strategy, a budget proposal can be completed for presentation to the City Council at the budget hearings in June.

As noted above, the City Council has previously reviewed and endorsed a general strategy to achieve a structurally balanced General Operating Fund Budget for Fiscal Year 2010-11. The components of this strategy are as follows:

- Operational Efficiencies/Expenditure Reductions
- Increased Revenue (primarily increased cost recovery for fee-based services)
- Employee Compensation Cost Containment

In previous Study Sessions, the City Council was presented with and discussed the specific components of the operational efficiencies/expenditure reductions "prong" and the proposed revenue/fee adjustment "prong." All of that information has been distilled into a specific General Operating Fund budget balancing blueprint for City Council review. Based on feedback on the recommendations, a proposed budget will be developed for a City Council public hearing on June 15 with final adoption on June 22.

While undesirable reductions in services and staffing are required to address the economic challenges facing the City and the General Operating Fund, a substantial effort has been made to minimize the impact on our residents, customers and employees. In addition to the approximately \$1.0 million of "operational efficiency" measures and \$1.3 million of additional expenditure reductions, the plan relies on increased revenue/cost recovery for fee-based services (\$1.0 million) and the containment of the growth of employee compensation costs (\$1.0 million which will require the cooperation of employee organizations). While the minimum targets in one or both of these areas (revenue enhancement and compensation cost containment) can hopefully be exceeded to further minimize the impacts on services and employees, if the financial targets for either of these areas are not attained, the expenditure reduction target will need to be increased beyond the approximately \$2.3 million recommended (\$1.0 million of operational efficiencies and \$1.3 million of service reductions) if a structurally

balanced budget is to be achieved. While the proposed "blueprint" would only require the use of Tier 1 reductions, if targets are not achieved in regard to revenue enhancements or compensation cost containment, reductions in Tiers 2 and 3 may need to be taken. If goals are exceeded in regard to revenue enhancement and/or compensation cost containment, all of the Tier 1 reductions may not be necessary.

Based on the currently projected structural deficit of \$4.3 million prior to taking into consideration the operational efficiencies previously identified, the following is the proposed strategy for balancing the Fiscal Year 2010-11 General Operating Fund budget:

• Operational Efficiencies	\$1.0 million
• Expenditure (Service/Staffing) Reductions (Tier 1)	1.3 million
• Revenue/Fee Increases	1.0 million
• Compensation Cost Containment	<u>1.0 million</u>
	<u>\$4.3 million</u>

#### **Organizational Efficiencies:**

Through some aggressive proposals, including organizational restructuring in some instances, we have been able to identify and, in some cases, already implement, some additional cost reductions which we believe will not directly affect services to the public. These "operational efficiencies," totaling in excess of \$1.0 million, are the initial component of the strategy to close the estimated \$4.3 million budget gap for Fiscal Year 2010-11.

These efficiencies include the already-implemented elimination of the Police Agent rank in the Police Department (allowing the reductions of three Police Officer positions), the unfunding of some positions that (through other measures) will not result in service reductions, the reallocation of costs to other funds as appropriate, and other cost-saving measures.

While currently listed in Tier 1 of reductions, the consolidation of the Assistant City Manager position with the Employee Services Director position and the resulting organizational consolidation that will save in excess of \$150,000 a year also would fit in the category of an organizational efficiency as would the staff support consolidation in the Police and Fire Departments.

#### **Expenditure Reduction Recommendations:**

Expenditures in a "status-quo" General Operating Fund budget for Fiscal Year 2010-11 are estimated to increase \$3.2 million. This "status-quo" budget would include required

increases to employee compensation costs (estimated to be approximately \$2.8 million) and other inflationary cost increases. Since the General Operating Fund does not have the capacity to absorb these costs, expenditure reductions are required to offset the vast majority of this cost rise.

The difficult challenge associated with this necessity is that the City has already significantly reduced General Operating Fund expenditures (primarily staffing) in previous rounds of budget reduction. Since Fiscal Year 2002-03, City departments have taken budget reductions averaging 14.7 percent. The reductions have been in the range of 17.2 percent to 27.9 percent for administrative functions and 2.2 percent to 4.6 percent in public safety departments. Our goal has always been to attempt to minimize the direct impact on services to the public to the greatest extent possible. Through a number of efficiency measures and generally "doing more (or the same) with less," we have been fairly successful in this regard. This obviously becomes increasingly difficult with each additional round of reductions.

In addition to the \$1.0 million of organizational efficiencies, current estimates indicate that even if goals for increased revenues and employee compensation cost containment are achieved, approximately \$1.3 million of expenditure reductions will be required. These proposed reductions are outlined in Attachment B as the Tier 1 of expenditure reductions (these are in addition to the "organizational efficiencies" also noted in this attachment).

These proposed reductions are regrettable and will have impacts on our residents, customers and employees. However, if the required reductions can be limited to this first tier, the impacts will be less severe than if reductions in the second or third tiers are required. That is why the ability to increase revenue and contain compensation cost growth is so important. Reductions beyond the first tier will impact higher-priority service areas and more currently filled positions.

#### **Revenue/Fee Increase Recommendations:**

As noted earlier in this report, reducing the General Operating Fund's subsidy of certain fee-based services is a critical component of the proposed plan to eliminate the General Operating Fund's structural deficit. Staff has identified a number of areas where services to specific customers/groups are heavily subsidized by general taxes (often to a much greater extent than in other communities). To the extent such subsidies continue, it will require the reduction in support to either those specific services (where possible) or, more likely, other services provided to the general population. While providing such subsidies has certainly had some benefits, the ramifications of continuing to do so to other needed services is quite negative.

Attachment C of this report summarizes the recommendations regarding the proposed changes to fees for service and total \$1.0 million. Some adjustments to the originally proposed fee changes have been made based on City Council feedback at the April 6 budget Study Session on potential revenue enhancements. In some cases, the proposed increases are suggested to be phased in over two or more years. In other cases, the full implementation of the fee increases will not be able to occur with the start of the fiscal year and a full year's worth of revenue will not be achieved in Fiscal Year 2010-11. In those cases, the Budget Contingency Reserve will be used to temporarily make up for the loss of revenue resulting from these circumstances (phasing in or required start-up time).

### **Compensation Cost Containment:**

Since the cost rise in employee compensation accounts for essentially all of the \$3.2 million in cost rise in the General Operating Fund budget, any mitigation to that cost rise will assist greatly with our efforts to balance the budget while minimizing negative impacts. Unlike many organizations that are seeking compensation reductions in order to deal with a structural deficit, we can make great progress with assistance from our employee organizations to simply slow the growth of compensation cost increases. We hope to know shortly to what degree employee groups are willing to assist in this manner.

If we are able to achieve a minimum of \$2.0 million toward our goal of a structurally balanced budget via additional revenues (fee adjustments) and compensation cost containment, we can limit the amount of additional expenditure reductions to the estimated \$1.3 million (in addition to the \$1.0 million operational efficiencies). If we are not able to achieve the \$2.0 million via revenue enhancement and/or compensation cost containment, additional expenditure reductions (from the other tiers) will need to be taken to achieve a structurally balanced budget.

To facilitate City Council decision-making regarding expenditure reductions, the previously identified range of potential reductions has been prioritized into tiers. Attachment B represents the City Manager's recommendations for reducing expenditures in prioritized tiers (priority within each tier is not reflected). The proposed budget blueprint assumes that the first tier (\$1.3 million)—in addition to approximately \$1.0 million of operational efficiencies—will be required to be used. However, as previously mentioned, if either the revenue or compensation cost containment goals cannot be achieved, reductions beyond the first tier range will need to be taken to balance the budget.

In summary, the proposed General Operating Fund budget balancing blueprint is as follows:

**GOAL: \$4.3 MILLION**

**COMPONENTS:**

◦ OPERATIONAL EFFICIENCIES:	\$1,039,000
◦ EXPENDITURE (SERVICE/STAFFING) REDUCTIONS (TIER 1):	1,251,000
◦ REVENUE/COST RECOVERY:	1,000,000
◦ COMPENSATION COST CONTAINMENT:	<u>1,000,000</u>
◦ TOTAL:	<u>\$4,290,000</u>

The assumed operational efficiencies, as well as the prioritized expenditure reductions, (Tiers 1 through 4) are outlined in Attachment B. Specific recommendations regarding revenue/cost recovery are included in Attachment C. If the goal of \$1.0 million in revenue/cost recovery or compensation cost containment is not fully achieved, the additional expenditure reductions from Tiers 2 through 4 will need to be implemented to structurally balance the budget. With the more positive updated projections and the operational efficiencies that are identified, the remaining deficit is reduced from the previously estimated \$5.0 million to \$3.3 million. With the recommended budget-balancing blueprint, it appears a structurally balanced budget is achievable and desirable as this would lessen any structural deficit to be carried over into the next fiscal year when additional expenditure increases are expected from PERS rates.

**OTHER GENERAL OPERATING FUND EXPENDITURE ISSUES:**

• **City Council and Advisory Commission Budgets:**

It is recommended that the City Council Procedures Committee evaluate and develop a recommendation regarding the City Council budget as well as the budgets for the advisory commissions. It is recommended that an effort be made to reduce costs or, at a minimum, assure that there is no cost rise in total among these budgets. A meeting of the Committee as soon as possible to undertake this review is also recommended.

• **211 System Request for Funding:**

The City Council approved three years of "limited-period funding" (at \$10,000 per year beginning in Fiscal Year 2006-07) to assist with the start-up of the 2-1-1 County-wide information system operated by United Way. City Council

approved a fourth year of funding \$10,000 with the adoption of the current fiscal year's budget. The 2-1-1 program is now requesting that funding continue for Fiscal Year 2010-11. While a number of cities provide funding for this program, others (including Sunnyvale and Palo Alto) do not. It is recommended that limited-period funding in the amount of \$5,000 be approved for Fiscal Year 2010-11 with the understanding that this organization will need to compete with the other General Operating Fund-funded nonprofit agencies in the Fiscal Year 2011-12 funding cycle (see report, Attachment D).

- **Public Works Department Transportation Planning Staffing:**

The original proposal to reduce and consolidate transportation planning staff support has been reevaluated. Other proposed reductions are recommended in lieu of this change. The original proposal would have required the creation of the "limited-period funding" position to support the High-Speed Rail (HSR) initiative. Based on an assessment of overall workload regarding transportation planning, it is now concluded that the resource reduction would be too great to assure our effective management of a variety of transportation-related issues, including HSR. With this change, the request for the limited-period funding position has been withdrawn.

- **Interest-Based Bargaining/Meet-and-Confer Outside Assistance:**

Seventy-Five Thousand Dollars (\$75,000) of limited-period funding is provided for assistance with several employee organization negotiations that will occur in the upcoming fiscal year. These funds will be used for professional assistance regarding interest-based bargaining and/or negotiations representation.

- **Environmental Sustainability Position:**

The City's efforts in regard to implementing environmental sustainability programs and projects has been assisted significantly by the creation in Fiscal Year 2007-08 of a limited-period funded Environmental Sustainability Coordinator position. If the current program goals are to continue to be implemented at the current level of effort for Fiscal Year 2010-11, the position will need to be extended on a "limited-period funded" basis.

- **Deer Hollow Farm:**

Deer Hollow Farm is a unique, highly regarded and valued resource in the region. It also reflects a successful partnership between the City, the Midpeninsula Regional Open Space District, Santa Clara County and the Friends of Deer Hollow

Farm. However, the current \$110,000 General Operating Fund subsidy is not viewed as sustainable as programs and services more directly focused on Mountain View residents are reduced. All the Farm's partners are working aggressively to create a more sustainable operating model. Increasing the fees for the summer camp program to "market" appears to offer the ability to reduce the subsidy by approximately \$70,000 (see proposed fee increases in Attachment C). Additionally, if we are able to get some financial participation from other local cities whose residents benefit as much, if not greater, than Mountain View's residents, the financial viability of the Farm will be greatly enhanced.

### **STATUS OF GENERAL FUND BUDGET CONTINGENCY RESERVE**

The General Fund Budget Contingency Reserve is currently estimated to be approximately \$7.8 million. The Reserve's balance is higher than previously estimated due to funding not being needed to backfill limited-period expenditures and an operating deficit for the current fiscal year. Uses of the reserve in the proposed budget will include funding to account for the phasing in of some of the proposed fee increases as well as the lead time necessary to implement some of the fees (a full year's worth of revenue will not be achieved in Fiscal Year 2010-11).

The reserve will also be used to cover items normally handled through the General Operating Fund "carryover balance." Since there will be little or no carryover balance from the current fiscal year, needs that will be addressed from this reserve include limited-period expenditures and backfilling other reserves to maintain them at policy levels. The Budget Contingency Reserve is also being recommended to cover the costs of the Retirement Incentive Program and costs associated with mitigating the impact on employees resulting from the elimination of currently filled positions. It is estimated that the reserve will be in the range of \$6.5 million to \$7.0 million after these needs are met.

### **FOLLOW-UP ACTIONS/STRATEGIES**

In addition to the proposed budget for Fiscal Year 2010-11, a number of related actions/strategies are appropriate in support of managing the impacts of continued revenue challenges and operating cost increases. These include the following:

- **Hiring Freeze:** A hiring freeze will continue to be in place for Fiscal Year 2010-11. While exceptions are made to the freeze (where there is no General Operating Fund impact; where other costs will rise or where positions are required to continue priority services), as many positions, as possible, will be held open. This will not only save money on a short-term basis but will also provide for potential opportunities for employees displaced from other jobs.

- **Motor Vehicle Fleet Evaluation:** One-time funding (\$30,000) is recommended in this budget for an outside review of the City's motor vehicle fleet. The intent is to determine how the fleet can be reduced in order to obtain both capital and operating cost savings. One goal will examine the criteria upon which vehicles are exclusively assigned to individual employees with the goal of increasing the use of shared vehicles. The criteria for providing "take-home" vehicles will also be examined. In addition, a partial freeze on vehicle replacements is being put into effect to reduce costs to the Vehicle Replacement Fund.
- **Capital Equipment Replacement:** The replacement of capital equipment (including computers) will be restricted to the minimum necessary to maintain productivity and replace items that can no longer be used.
- **Travel:** Department heads are also being directed to continue to carefully manage travel costs in order to minimize expenditures without significantly impacting needed staff development.

### UPCOMING CHALLENGES

The primary reason for the need to effectively and aggressively address the General Operating Fund's structural deficit is a continuing financial challenge that the City, as well as most other local governments in California and around the country, are facing. While hopefully the worst of the economic downturn is behind us and the economy is beginning to improve, a quick or dramatic improvement is not predicted. Additionally, the improvement could well be delayed for our General Operating Fund recognizing the lag time that is experienced by some of our key revenues relating to changes in economic trends.

The General Operating Fund 10-Year Financial Forecast that was presented to the City Council in January 2009 clearly outlined how challenging the City's financial future will be if historical revenue and expenditure trends continue. The continuing State financial crisis also places the City's finances at risk.

Additionally, of great concern is the currently projected cost rise to the City's pension costs (PERS) for Fiscal Years 2011-12, 2012-13 and 2013-14. Current projections are that the City's General Operating Fund's costs will increase in this compensation category alone by \$5.5 million over this three-year period (in addition to the \$534,000 cost rise in Fiscal Year 2010-11). The City's General Operating Fund current annual \$7.6 million PERS pension cost is estimated to grow to \$13.7 million by Fiscal Year 2013-14. This will be a substantial challenge, even with the return of moderate revenue growth, and

will certainly limit the ability to fund other service/cost increases, including other categories of compensation.

Staff has previously identified the rapidly escalating cost of the City's self-funded Retirees' Health Insurance Program as the single greatest threat to the City's long-term financial security. While the City has made significant investments into this program (\$14.0 million of lump-sum payments over the last 10 years as well as increasing operating budget annual payments from \$300,000 in Fiscal Year 1998-99 to the current level of \$3.4 million per year for the General Operating Fund) and has obtained the cooperation of some employee organizations to help manage the significant cost rises, without more actions being taken, the cost of the program will outstrip any reasonable assumption of the City's financial capacity to fund this program.

So, even if a structurally balanced General Operating Fund Budget can be achieved this year, the challenges over the next few years will be substantial. These challenges will require a continuing series of initiatives (mid-/long-term strategies) to address. An unresolved structural deficit will only compound these upcoming challenges.

### **MID-/LONG-TERM STRATEGIES**

Recognizing that the General Operating Fund's financial challenges are anticipated to continue indefinitely, and in recognition of the need to always examine ways to provide services as efficiently and effectively as possible, it is recommended that a series of mid-/long-term strategies be pursued. While all of these cannot be examined simultaneously, they can be prioritized and examined as time and resources permit. These alternatives have the potential to assist the City in maintaining its fiscal stability going forward. While outlined in more detail in Attachment E, these possible strategies include the following:

#### **Expenditures:**

- Containing the growth of enhanced/new services.
- Containing the growth of annual compensation cost increases.
- Containment of long-term benefit cost increases (pension costs, medical insurance costs, retiree health insurance costs).
- Deferring capital improvement projects requiring increased maintenance and operating expenditures.
- Review alternatives to reduce Workers' Compensation insurance costs.

- Examination of additional opportunities for organizational/functional consolidations and reorganizations.
- Examination of alternative service delivery models.
- Review of service levels, including minimum staffing requirements in the Fire Department.

**Revenues:**

- Voter-approved tax measure.
- Continued economic development initiatives.
- Possible formation of a lighting and landscape district.
- Possible formation of a downtown maintenance district and/or expansion of the downtown Business Improvement District.

**NEXT STEPS**

Based on feedback from the City Council at the May 4 Study Session, the proposed budget (General Operating Fund, Special Funds and Utility Funds) will be prepared for distribution to the City Council in early June. The evening of June 15 is scheduled for the annual public hearing on the full budget. Final adoption is scheduled for the City Council meeting of June 22. Additionally, the Five-Year Capital Improvement Plan is scheduled for adoption on May 25 with Major City Goals to be adopted on June 1.

**SUMMARY AND CONCLUSION**

As is the case for both public-sector and private-sector organizations throughout the State and country, the City of Mountain View continues to need to respond to the serious economic challenges resulting from the current recession. While the City has remained in relatively good financial condition, the current fiscal year's General Operating Fund budget, while technically balanced, has an estimated structural deficit of approximately \$1.6 million (after having started the budget process last year with a projected structural deficit of \$6.0 million).

We began the budget development process for Fiscal Year 2010-11 with an estimated \$5.0 million General Operating Fund structural deficit. Through a combination of revised revenue estimates, expenditure reductions, revenue adjustments (increased cost

recovery for certain services) and compensation cost containment, a "blueprint" for a structurally balanced budget is outlined in this report.

Feedback from the City Council regarding this proposed budget balancing strategy will provide the information needed for staff to prepare the proposed budget for City Council review in June.

A handwritten signature in black ink, appearing to read 'KCD', with a stylized flourish extending to the right.

Kevin C. Duggan  
City Manager

KCD/SN/2/CAM  
541-05-04-10M-E^

- Attachments:
- A. Update of the General Operating Fund Financial Status
  - B. Fiscal Year 2010-11 Recommended General Operating Fund Budget Reductions
  - C. Revenue Enhancements for Fiscal Year 2010-11
  - D. United Way Silicon Valley 2-1-1 Santa Clara County Funding
  - E. Potential Mid-/Long-Term Strategies

# **Attachment A**

## UPDATE OF THE GENERAL OPERATING FUND FINANCIAL STATUS

### INTRODUCTION

As part of the January 26, 2010 Budget Workshop, staff included a mid-year update on the financial status of the General Operating Fund for Fiscal Year 2009-10. At that time, revenues were estimated at \$85.8 million, \$841,000 lower than adopted for the current fiscal year. This was a result of the sales tax estimate being \$850,000 below budget. Expenditures were estimated at \$84.9 million, \$3.7 million lower than adopted and \$1.1 million greater than the \$2.6 million budget savings assumed in the current fiscal year adopted budget.

The mid-year update also projected Fiscal Year 2010-11 revenues at \$86.1 million, reflecting a slight increase from the then current fiscal year estimate, but \$564,000 lower than the current year adopted. Expenditures for Fiscal Year 2010-11 were projected at \$91.1 million and included compensation increases of \$2.8 million.

Since then, three more months of actual revenues and expenditures have occurred and more data on major revenue sources such as property tax and sales tax has been received. The following is a quarterly update of the financial status of the General Operating Fund for Fiscal Year 2009-10 and an update to the projected revenues and expenditures for Fiscal Year 2010-11.

### GENERAL OPERATING FUND

#### Fiscal Year 2009-10

General Operating Fund revenues were adopted at \$86.7 million for the current fiscal year. At this time, staff is estimating revenues will reach \$86.6 million, on track in total to the adopted budget, but a decline compared to the actual revenue received the prior fiscal year. Sales Tax and Use of Money and Property are estimated to fall below budget while Property Taxes, Other Taxes and Other Revenues are estimated to be higher than budget.

The favorable variances between budget and Fiscal Year 2009-10 estimated are primarily the result of salary savings from vacant positions with additional savings from underspending in various services and supplies accounts. The adjusted budget, which includes adjustments from prior fiscal year encumbrances carried into the current fiscal year, is not included in the table. Without these adjustments, the Capital Outlay/Replacement category appears to be exceeding budget by \$149,000. Compared to the adjusted budget, this category is trending \$49,000 below the adjusted.

A comparison of major General Operating Fund revenues and expenditures for the prior fiscal year audited, the current fiscal year adopted and estimated and the upcoming fiscal year projected, is summarized as follows (amounts in thousands):

	2008-09 <u>Audited</u>	2009-10 <u>Adopted</u>	2009-10 <u>Estimated</u>	2010-11 <u>Projected</u>
Revenues:				
Property Taxes	\$25,647	25,985	26,349	26,608
Sales Taxes	16,264	15,674	15,153	15,664
Other Taxes	9,242	8,786	9,085	9,362
Use of Money and Property	11,480	11,498	10,943	10,850
Other Revenues	23,270	22,654	23,044	22,442
Loan Repayments	<u>2,060</u>	<u>2,060</u>	<u>2,060</u>	<u>2,060</u>
Total Operating Revenue	<u>\$87,963</u>	<u>86,657</u>	<u>86,634</u>	<u>86,986</u>
Expenditures:				
Salaries and Benefits	\$68,091	72,276	68,908	74,751
Services and Supplies	13,155	14,108	12,886	14,295
Capital Outlay/Replacement	1,504	1,400	1,549	1,400
Debt Service	1,020	-0-	-0-	-0-
Self-Insurance	<u>809</u>	<u>806</u>	<u>806</u>	<u>828</u>
Total Operating Expenditures	<u>84,579</u>	<u>88,590</u>	<u>84,149</u>	<u>91,274</u>
Estimated Budget Savings	-0-	2,645	Included	2,794
Transfer from Budget Contingency Reserve	-0-	1,609	-0-	-0-
Supplemental Funding:				
Equipment Replacement	-0-	(685)	(685)	(945)
Retirees' Health	<u>-0-</u>	<u>(1,636)</u>	<u>(1,636)</u>	<u>(1,849)</u>
Operating Balance	<u>\$ 2,305</u>	<u>-0-</u>	<u>266</u>	<u>(4,288)</u>

#### Fiscal Year 2010-11

General Operating Fund revenues are projected at \$87.0 million (not including any recommended revenue enhancements) for the 2010-11 fiscal year, essentially the same as both the \$86.6 million currently estimated for Fiscal Year 2009-10 and the Fiscal

Year 2009-10 adopted revenues of \$86.7 million. This update is better than the \$86.1 million projected at midyear; however, this little to no growth in revenues, although not unexpected because of the economy, is completely insufficient to fund the projected annual expenditure growth.

General Operating Fund expenditures are projected at \$91.3 million, \$187,000 more than projected at midyear. This includes \$2.8 million in compensation cost increases and a small amount of funding for unavoidable contractual increases. Supplemental funding for Equipment Replacement and Retirees' Health is also increasing \$473,000.

#### Detailed Review of Revenue Categories

##### **Property Taxes**

	<u>2008-09</u> <u>Audited</u>	<u>2009-10</u> <u>Adopted</u>	<u>2009-10</u> <u>Estimated</u>	<u>2010-11</u> <u>Projected</u>
Secured	\$23,155	23,872	23,949	24,435
Unsecured	1,718	1,546	1,951	1,726
Other	<u>774</u>	<u>567</u>	<u>449</u>	<u>447</u>
Total Property Taxes (amounts in thousands)	<u>\$25,647</u>	<u>25,985</u>	<u>26,349</u>	<u>26,608</u>

The County of Santa Clara (County) establishes taxable AV for all properties based on the value as of the January 1 lien date prior to each fiscal year. The County Assessor's Office continues to review and modify the tax roll (e.g., new development, pending AV appeals, corrections, etc.) until the tax roll is finalized effective July 1 and used as the basis for the annual property tax bill for that fiscal year. Throughout the fiscal year, the County remits the proportionate share of property tax revenue to local agencies and schools. The County Assessor's Office has been aggressive in proactively reducing residential property values the past several years, and the State and County have experienced high foreclosure rates over the past 12 to 18 months. Although foreclosures have occurred in Mountain View, there were only 47 during Fiscal Year 2008-09 and an additional 28 during July 2009 to February 2010, 5.0 percent of the County-wide activity. The median price of single-family residences sold in calendar year 2008 was \$774,000 and declined to \$669,000 for single-family homes sold during calendar year 2009. Although no proactive review has yet been performed on commercial properties, staff is anticipating a partial decline in commercial values to occur in Fiscal Year 2010-11 and further reduction in Fiscal Year 2011-12.

Property taxes for Fiscal Year 2009-10 are estimated to be \$364,000 higher than adopted, primarily due to unsecured property taxes. The budget for unsecured property taxes

anticipated a 10.0 percent reduction due to the economic recession. However, unsecured property taxes have increased over the prior fiscal year.

For the upcoming fiscal year, General Operating Fund secured property taxes are projected to rise \$486,000 compared to the current fiscal year estimate. This is based on information provided by the County Assessor's Office, completed development activity within the City and a projected decline in AV for some commercial property. The following assumptions were used to calculate the projection for the Fiscal Year 2010-11 secured AV:

- 0.237 percent decline for all residential and commercial properties due to the decline in the California Consumer Price Index (annual Proposition 13 factor).
- 4.0 percent decline for all commercial property estimated to be impacted by assessment appeals.

The County Assessor has received requests for commercial assessment appeals and has informed the Santa Clara County cities there will be declines in commercial AV. Staff anticipates a portion of the decline will be realized and has included a 4.0 percent reduction for Fiscal Year 2010-11 and anticipates additional reductions for Fiscal Year 2011-12.

- Changes in ownership (CIO) that have occurred since the Fiscal Year 2009-10 tax roll lien date (January 1, 2009).

The \$177.9 million change in value (approximately \$270,000 of property tax revenue gain) has been added to the tax roll for all properties with a CIO between January 1, 2009 and December 31, 2009. This assumes these properties will retain this value and the County will be able to process all the transactions by July 1, 2010 and include them in the Fiscal Year 2010-11 tax roll.

- New development completed during the current fiscal year and reported to the County.

The City notifies the County regarding development projects finalized and ready for occupation. The \$12.1 million of additional value (approximately \$18,300 of property tax revenue gain) related to these completed projects has been added to the projected tax roll. This assumes these properties will retain this value and the County will be able to process all the transactions by July 1, 2010 and include them in the Fiscal Year 2010-11 tax roll.

Unsecured property tax (i.e., removable equipment and fixtures used in business) is projected to decline approximately 10.0 percent compared to the current fiscal year

estimate as some businesses have closed and their unsecured property will be removed from the roll.

Property tax is the General Operating Fund's single largest revenue source, representing 30.4 percent of total General Operating Fund revenue. Staff anticipates lower-than-normal growth in property tax revenues through Fiscal Year 2012-13.

## Sales Taxes

Effective April 1, 2009, sales tax is assessed at 9.25 percent of taxable sales in the County. The City receives 1.0 percent of taxable sales as sales tax revenue, which represents 17.5 percent of total General Operating Fund revenues.

	2008-09 <u>Audited</u>	2009-10 <u>Adopted</u>	2009-10 <u>Estimated</u>	2010-11 <u>Projected</u>
Sales Taxes (amounts in thousands)	\$16,264	15,674	15,153	15,664

During this decade, the City's sales tax base has evolved from a concentration in the commercial/industrial sector to a more balanced mix of retail and commercial/industrial. This situation is more desirable as it provides greater sales tax revenue stability than if it were dominated by individual major corporations from one volatile segment of the economy. However, the City has had to adjust to an overall lower sales tax base as a result of this transition. In addition, sales tax revenues are declining as a result of the current recession and the resulting decline in consumer spending.

For the current fiscal year, sales tax revenue is estimated to be approximately \$521,000 lower than the adopted budget and \$1.1 million less than actuals in the previous fiscal year.

As consumers have reduced spending over the past year, sales tax revenue has been severely impacted. The lowest amount of sales tax received was for the quarter ending June 2009. Sales as of the quarter ending December 2009 have started to show slow and modest signs of recovery—all major categories (excluding business and industry) are at or above the same quarter of the prior fiscal year. The estimate for the remainder of this fiscal year assumes the continuation of this trend.

The projection for the 2010-11 fiscal year includes known business changes, a slightly improving level of consumer spending for July through December 2010 (compared to the same period of 2009) and the opening of several new businesses.

Utilizing these assumptions, the Fiscal Year 2010-11 sales tax revenue projection is \$15.7 million, \$511,000 higher than the current estimate for Fiscal Year 2009-10 and essentially the same as this fiscal year's adopted budget.

## Other Taxes

Another major source of General Operating Fund revenue is the group of revenues categorized as Other Taxes: Transient Occupancy (Hotel/Motel), Business License and Utility Users Taxes.

	2008-09 <u>Audited</u>	2009-10 <u>Adopted</u>	2009-10 <u>Estimated</u>	2010-11 <u>Projected</u>
Hotel/Motel	\$3,155	2,772	3,247	3,333
Business License	221	211	215	220
Utility Users	<u>5,866</u>	<u>5,803</u>	<u>5,623</u>	<u>5,809</u>
Total Other Taxes (amounts in thousands)	<u>\$9,242</u>	<u>8,786</u>	<u>9,085</u>	<u>9,362</u>

The current fiscal year estimate of \$9.1 million for this revenue category is \$299,000 (3.4 percent) higher than the adopted budget and represents 10.5 percent of total General Operating Fund revenues. From the quarter ending September 30, 2003 through March 31, 2008, the Hotel/Motel Tax (TOT) had been steadily increasing as a new hotel opened and business and personal travel continued to increase with the recovery from the dot-com bust. However, TOT is very susceptible to the state of the economy and in the fall of 2008 when businesses curtailed spending and unemployment began to climb, business travel was one of the target reduction areas. TOT revenue began declining the quarter ending September 30, 2008.

Fiscal Year 2009-10 TOT revenue is estimated at \$3.2 million, \$475,000 higher than adopted in the budget. The budget projected significant declines in TOT, similar to the declines experienced in the early years of the last recession. However, TOT revenues for the quarters ending September 30, 2009 and December 30, 2009 did not decline as much as anticipated in the budget. Fiscal Year 2010-11 is projected to increase \$86,000 (2.6 percent) compared to the current fiscal year estimate.

Business License revenue is estimated to slightly exceed budget for the current fiscal year and to increase 2.3 percent for Fiscal Year 2010-11 as the economy continues to recover and the projected issuance of business licenses increases.

Utility Users Tax (UUT) is estimated at \$5.6 million for Fiscal Year 2009-10, 3.1 percent lower than the adopted budget. UUT revenue is projected to increase 3.3 percent to \$5.8 million in the upcoming fiscal year as a result of an expanding consumer base due

to completed new development, utilization of previous commercial space and increased use of technology.

In total, Other Taxes is projected at \$9.4 million, a \$277,000 (3.0 percent) increase compared to the current fiscal year estimate.

### Use of Money and Property

Use of Money and Property includes Investment Earnings and income from Rents and Leases.

	2008-09 <u>Audited</u>	2009-10 <u>Adopted</u>	2009-10 <u>Estimated</u>	2010-11 <u>Projected</u>
Investment Earnings	\$ 3,356	3,312	2,708	2,341
Rents and Leases	<u>8,124</u>	<u>8,186</u>	<u>8,235</u>	<u>8,509</u>
Total Use of Money and Property (amount in thousands)	<u>\$11,480</u>	<u>11,498</u>	<u>10,943</u>	<u>10,850</u>

Use of Money and Property includes investment earnings generated by the General Operating Fund's share of the City's pooled investment portfolio and revenue from rental and lease agreements for City-owned properties. For Fiscal Year 2009-10, this revenue category is estimated at \$10.9 million, representing 12.6 percent of total estimated General Operating Fund revenues.

The City continues to see a decline in the investment portfolio yield and resulting investment earnings. The Federal Reserve has maintained the target range for the Federal funds rate at 0.0 percent to 0.25 percent in an effort to continue to stimulate the economy. The City's investment policy (Council Policy B-2) allows investment instruments up to a maximum maturity of five years, and these longer-term investments have mitigated some of the effect of the lower reinvestment yields. However, based on the maturity dates of current City investments and the projected reinvestment rate:

- The average yield for Fiscal Year 2009-10 is estimated at 3.6 percent, generating \$2.7 million in investment earnings.
- The average yield for Fiscal Year 2010-11 is projected at 3.2 percent, generating \$2.3 million in investment earnings.

Investment earnings for Fiscal Year 2010-11 are projected to decline approximately \$1.0 million compared to the Fiscal Year 2008-09 actuals due to declining interest rates.

The Rents and Leases category includes income from the use of City properties, such as the Shoreline Amphitheatre lease with SFX Entertainment (SFX), land leases with Google, Inc., the CVS lease in the Bryant/California parking structure and other leased City property. This is a very stable revenue source for the City's General Operating Fund. In addition, many leases include inflationary increases. The total estimated revenue for the current fiscal year is \$8.2 million.

The 2010-11 fiscal year projection for Rents and Leases totals \$8.5 million, \$274,000 (3.3 percent) more than the current fiscal year estimate. This is based on the annual inflationary increases incorporated into the land leases and the increase in lease revenues for the property purchased at 263 Escuela Avenue by the City and leased back to the United Pentecostal Church, Inc. of Mountain View.

Although investment earnings are projected lower for next fiscal year, increases in rents and leases revenues almost offset this loss. For Fiscal Year 2010-11, the Use of Money and Property category is projected at \$10.9 million, slightly less than the current fiscal year estimate.

### Other Revenues

The next major category of General Operating Fund revenues is Other Revenues: Franchise Fees, Licenses and Permits, Fines and Forfeitures, Intergovernmental, Service Charges, Miscellaneous and Interfund Revenues/Transfers.

	2008-09 <u>Audited</u>	2009-10 <u>Adopted</u>	2009-10 <u>Estimated</u>	2010-11 <u>Projected</u>
Franchise Fees	\$ 2,941	3,118	2,854	3,086
Licenses and Permits	296	212	358	316
Fines and Forfeitures	800	838	931	912
Intergovernmental	775	923	1,064	827
Service Charges	2,853	2,711	2,673	2,901
Miscellaneous	2,096	1,378	1,580	1,407
Interfund Revenues/Transfers	<u>13,509</u>	<u>13,474</u>	<u>13,584</u>	<u>12,993</u>
Total Other Revenues (amounts in thousands)	<u>\$23,270</u>	<u>22,654</u>	<u>23,044</u>	<u>22,442</u>

This category of revenues was budgeted at \$22.7 million for Fiscal Year 2009-10 and is currently estimated at \$23.0 million, \$390,000 (1.7 percent) higher than budget. This is primarily related to higher permit revenues, fines and the receipt of various unbudgeted grant received. The projection for Fiscal Year 2010-11 is \$22.4 million, \$602,000 (2.6 percent) lower than the current fiscal year estimate and just slightly lower

than the level budgeted for the current fiscal year. A discussion of the components of this revenue category follows:

- Franchise Fees are lower than budgeted for Fiscal Year 2009-10 due to the decline in service for all utilities. For Fiscal Year 2010-11, revenues are projected to increase by \$232,000 (8.1 percent) over the current fiscal year estimate. This increase is primarily related to the increased Recology franchise fee based on the anticipated adjustment required in accordance with the contract.
- Licenses and Permits are estimated at \$358,000, exceeding the Fiscal Year 2009-10 budget by \$146,000 as excavation permits are higher than budgeted. Revenues for the upcoming fiscal year are projected at \$316,000, \$42,000 (11.7 percent) lower than the current fiscal year estimate.
- Fines and Forfeitures are estimated at \$931,000, \$93,000 (11.1 percent) higher than budget for the current fiscal year. Revenues for the upcoming fiscal year are projected at \$912,000, essentially the same as the current fiscal year estimate.
- For Fiscal Year 2009-10, Intergovernmental revenue is estimated at \$1.1 million, \$141,000 higher than budget, primarily the receipt of State and Federal grants not included in the budget. The projection for Fiscal Year 2010-11 decreases 22.3 percent to \$827,000 compared to the current fiscal year estimate as it excludes the grants received this fiscal year.
- Service Charge revenue is estimated at \$2.7 million, \$38,000 (1.4 percent) lower but essentially as budgeted for the current fiscal year. The projection for Fiscal Year 2010-11 revenue is \$228,000 (or 8.5 percent) higher than the current fiscal year estimate. The increase is related to development activity.
- Miscellaneous revenue is estimated at \$1.6 million, \$202,000 (14.7 percent) higher than budget for the current fiscal year, primarily resulting from donations and grants received that were not budgeted and *Preview* (Center for the Performing Arts) advertising sales in excess of the ~~matching~~ revenues and expenditures budgeted for this purpose.

Miscellaneous revenue for next fiscal year is projected at \$1.4 million, approximately the same as the current fiscal year adopted as most donations and grants are not budgeted but appropriated as received.

- Interfund Revenues result from internal charges for staff time, building space and maintenance services provided to other funds and capital projects by the General Operating Fund departments. The cost of the internal support provided to other funds is calculated in the City's Cost Allocation Plan (Plan) which is updated every two years. A total of \$9.1 million was budgeted and transferred from Building

Services, Shoreline Golf Links, Revitalization Authority, Parking District, Shoreline Regional Park (North Bayshore) Community and the Enterprise (Utility) Funds during the current fiscal year. The level of reimbursement for Fiscal Year 2010-11 is anticipated to be at a lower level than the current fiscal year as expenditure reductions are anticipated to offset any inflationary increases.

There is also a General Operating Fund administrative charge assessed on eligible capital improvement projects (CIP) in order to reimburse the General Operating Fund for indirect costs such as purchasing, accounts payable, payroll, legal services and other internal support. This reimbursement is projected at \$1.5 million for Fiscal Years 2009-10 and 2010-11.

Interfund Transfers include transfers between the General Operating Fund and a variety of other funds. The current fiscal year estimate of \$2.4 million is slightly higher than the adopted budget due to unanticipated midyear transfers approved by Council from the General Fund Reserve and Utility funds. Fiscal Year 2010-11 transfers are projected at \$2.2 million, a slight decline of \$38,000 compared to the current fiscal year adopted.

#### Loan Repayments

Loan repayments from the Shoreline Regional Park (North Bayshore) Community and the Revitalization Authority are categorized as General Operating Fund revenues:

	<u>2008-09</u> <u>Audited</u>	<u>2009-10</u> <u>Adopted</u>	<u>2009-10</u> <u>Estimated</u>	<u>2010-11</u> <u>Projected</u>
Shoreline Regional Park Community	\$1,894	1,894	1,894	1,894 <sup>(1)</sup>
Revitalization Authority	<u>166</u>	<u>166</u>	<u>166</u>	<u>166</u> <sup>(2)</sup>
Total Loan Repayments (amounts in thousands)	<u>\$2,060</u>	<u>2,060</u>	<u>2,060</u>	<u>2,060</u>

<sup>(1)</sup>Final payment—Fiscal Year 2015-16.

<sup>(2)</sup>Final payment—Fiscal Year 2018-19.

Estimated loan repayments are as adopted and there is no change projected for Fiscal Year 2010-11.

## CONCLUSION

The performance of General Operating Fund revenues is recently showing some signs of improvement compared to revenues reported midyear. Instead of the current fiscal year revenues estimated to decline \$841,000 compared to budget, in total they are currently estimated to be on target with budget. Sales tax revenues are still estimated below budget but to a lesser degree as the economy begins to show signs of recovery. Property taxes are being impacted by the negative growth in the California Consumer Price Index of 0.237 percent. This and the anticipated reduction in commercial property assessed values, due to assessment appeals, is keeping the growth in property taxes to a less than normal growth rate. Investment earnings continue to decline due to lower investment yields. Transient Occupancy Taxes are also showing signs of recovery.

General Operating Fund revenues for Fiscal Year 2010-11 are projected to increase \$329,000 compared to the current fiscal year budget. This is insufficient to fund the projected expenditure increases of \$3.2 million.

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# Attachment B

<b>FY 2010-11 RECOMMENDED GENERAL OPERATING FUND BUDGET REDUCTIONS</b>					
<b>DEPARTMENT PROGRAMS</b>	<b>Operational Efficiencies</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>	<b>Tier 4</b>
<b>CITY COUNCIL</b>					
TBD					
<b>CITY COUNCIL TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CITY CLERK</b>					
Unfund 0.50 Office Assistant III (from FT)				(45,000)	
City-wide Records Mgt Program	(7,000)				
<b>CITY CLERK TOTAL</b>	<b>(7,000)</b>	<b>0</b>	<b>0</b>	<b>(45,000)</b>	<b>0</b>
<b>CITY ATTORNEY</b>					
Unfund 1.0 Code Enforcement Officer (filled)				(125,000)	
<b>CITY ATTORNEY TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(125,000)</b>	<b>0</b>
<b>CITY MANAGER</b>					
Eliminate hourly wages for the multi-lingual outreach program.				(12,800)	
Consolidate ESD w/ ACM (vacant)		(140,000)			
Increase Asst To The CM position to FT (+0.25)		41,000			
Add 1,000 hours for Student Intern		24,000			
<b>CITY MANAGER TOTAL</b>	<b>0</b>	<b>(75,000)</b>	<b>0</b>	<b>(12,800)</b>	<b>0</b>
<b>EMPLOYEE SERVICES</b>					
Unfund 0.5 FTE Personnel Analyst II (from FT) (filled)			(62,000)		
Consolidate ESD w/ ACM (vacant)		(87,000)			
Reclass a Sr Pers Analyst to Employee Svcs Mgr		12,000			
<b>EMPLOYEE SERVICES TOTAL</b>	<b>0</b>	<b>(75,000)</b>	<b>(62,000)</b>	<b>0</b>	<b>0</b>
<b>FINANCE &amp; ADMIN SERVICES</b>					
Purchasing renegotiated POs (est)	(85,000)				
Phone consultant contract		(64,800)			
City Auditor Budget		(15,000)			
Allocate 0.5 of Rev Mgr to Utilities	(68,000)				
Unfund 1.0 Revenue Account Tech position (filled)				(39,600)	
Unfund 0.5 FTE Copy Center Asst (filled)			(28,000)		
Unfund 0.5 FTE Document Proc Tech (from FT) (vacant)		(49,100)			
<b>FINANCE &amp; ADMIN SVCS TOTAL</b>	<b>(153,000)</b>	<b>(128,900)</b>	<b>(28,000)</b>	<b>(39,600)</b>	<b>0</b>
<b>COMMUNITY DEVELOPMENT</b>					
Allocate 25% of Admin Aide to Building Fund	(24,500)				
Reduce private development planning contract services		(100,000)			
Unfund 1.0 Planning Manager position (vacant)			(177,500)		
<b>COMMUNITY DEVELOPMENT TOTAL</b>	<b>(24,500)</b>	<b>(100,000)</b>	<b>(177,500)</b>	<b>0</b>	<b>0</b>

**FY 2010-11 RECOMMENDED GENERAL OPERATING FUND BUDGET REDUCTIONS**

DEPARTMENT PROGRAMS	Operational Efficiencies	Tier 1	Tier 2	Tier 3	Tier 4
<b>PUBLIC WORKS</b>					
Reorganize the Admin Support and Transportation Section					
Unfund 1.0 Sr Admin Analyst pos (retirement)		(134,900)			
Unfund 1.0 Transp & Policy Mgr pos (retirement)					(95,500)
Reclass Exec Asst to Admin Analyst I/II		19,500			
Reclass Office Assistant III to Secretary		8,800			
Reclass Project Mgr to Transportation Planner		12,900			
Unfund 1.0 Streets Maintenance Worker I/II position in Streets Section (vacant)		(33,100)			
Reduce Land Development Outside Services		(50,000)			
Reduce Traffic Engineering Support			(20,000)		
Unfund 1.0 HVAC Technician position (vacant)		(118,400)			
Unfund 1.0 Customer Services Technician position (filled)				(54,700)	
Reduce Facilities Section services budget		(50,000)			
Reduce Fleet fuel budget	(25,000)				
<b>PUBLIC WORKS TOTAL</b>	<b>(25,000)</b>	<b>(345,200)</b>	<b>(20,000)</b>	<b>(54,700)</b>	<b>(95,500)</b>
<b>COMMUNITY SERVICES</b>					
<b>PERFORMING ARTS</b>					
Reduce Preview Distribution by 20%			(7,000)		
Unfund 1.0 Performing Arts Assistant (filled)				(92,800)	
<b>CSD - PERFORMING ARTS TOTAL</b>	<b>0</b>	<b>0</b>	<b>(7,000)</b>	<b>(92,800)</b>	<b>0</b>
<b>SHORELINE DIVISION (GF)</b>					
Reduce Ranger services contract			(15,200)		
<b>CSD - SHORELINE (GF) TOTAL</b>	<b>0</b>	<b>0</b>	<b>(15,200)</b>	<b>0</b>	<b>0</b>
<b>PARKS &amp; FORESTRY/ROADWAYS</b>					
Unfund 1.0 Parks Maint. Worker III position (vacant)			(105,200)		
Unfund 1.0 Parks Maint. Worker II position (filled)				(97,400)	
Miscellaneous Parks and Forestry/Rdwy Landscape reductions			(18,300)	(7,000)	
Reduce High pressure washing Castro Street			(14,600)		
Reallocate 4% of Parks Manager to Shoreline	(6,700)				
Reallocate 7% of Secretary to Shoreline	(6,900)				
Reallocate 50% of Tree Trimmer II to Shoreline	(50,600)				
Reallocate 10% of Tree Supervisor/Arborist to Shoreline	(14,000)				
Unfund up to 3.0 Tree Trimmers, (2 vacant)			(101,500)		(203,000)
<b>CSD - PARKS &amp; FORESTRY/RDWAY TOTAL</b>	<b>(78,200)</b>	<b>0</b>	<b>(239,600)</b>	<b>(104,400)</b>	<b>(203,000)</b>
<b>RECREATION</b>					
Unfund 1.0 Secretary position (vacant)		(99,000)			
Unfund 0.25 Rec Coord Deer Hollow Farm (filled)					(25,000)
<b>CSD - RECREATION TOTAL</b>	<b>0</b>	<b>(99,000)</b>	<b>0</b>	<b>0</b>	<b>(25,000)</b>
<b>COMMUNITY SERVICES GF TOTAL</b>	<b>(78,200)</b>	<b>(99,000)</b>	<b>(261,800)</b>	<b>(197,200)</b>	<b>(228,000)</b>

<b>FY 2010-11 RECOMMENDED GENERAL OPERATING FUND BUDGET REDUCTIONS</b>					
<b>DEPARTMENT PROGRAMS</b>	<b>Operational Efficiencies</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>	<b>Tier 4</b>
<b>LIBRARY</b>					
Unfund 0.75 Library Asst II position (Vacant)		(68,000)			
Unfund 1.0 Supervising Librarian or Library Manager position (Filled-retirement)			(122,000)		
Reduce funding for Mobile Library services, continue w/ Google Grant received			(50,000)		
Unfund 1.0 Supervising Librarian (Filled)					(122,000)
Reduce library materials/collections budget				(50,000)	
Reduce library hours 6-8 hours per week					(150,000)
<b>LIBRARY TOTAL</b>	<b>0</b>	<b>(68,000)</b>	<b>(172,000)</b>	<b>(50,000)</b>	<b>(272,000)</b>
<b>FIRE</b>					
Unfund 1.0 Public Education Specialist (filled)				(121,800)	
Unfund 0.5 Emergency Medical Service Coordinator (vacant)	(69,700)				
Unfund Executive Assistant position (Vacant)		(52,500)			
<b>FIRE TOTAL</b>	<b>(69,700)</b>	<b>(52,500)</b>	<b>0</b>	<b>(121,800)</b>	<b>0</b>
<b>POLICE</b>					
Eliminate Police Agent classification (Reclass 3 to Sgt, eliminate 3) (1 Agent & 3 officers vacant)	(512,000)				
Unfund Executive Assistant position (Vacant)		(52,500)			
Unfund 3 PPT Police Asst positions (1.5 FTE) (filled)		(142,100)			
Unfund 1.0 CSO in CAI Unit (filled)				(112,800)	
Unfund 1.0 CSO in SOD (filled)				(112,800)	
Unfund 2.0 Police Records Specialists (filled)			(111,000)	(111,000)	
Unfund 1.0 CSO in Traffic Unit-AVASA (filled)			(112,800)		
Reduce MVPAL hourly Police Assistant		(12,500)			
Unfund 5.0 CSOs in patrol (filled)					(564,100)
Unfund 1.0 Lead Police Records Specialist (filled)					(121,600)
<b>POLICE TOTAL</b>	<b>(512,000)</b>	<b>(207,100)</b>	<b>(223,800)</b>	<b>(336,600)</b>	<b>(685,700)</b>
<b>GENERAL FUND DEPT REDUCTION TOTAL</b>	<b>(869,400)</b>	<b>(1,150,700)</b>	<b>(945,100)</b>	<b>(982,700)</b>	<b>(1,281,200)</b>
<b>GLOBAL REDUCTIONS</b>					
Whole Sale Water Rate				(225,000)	
Reduce Nonprofit funding					(27,000)
PERS Prepayment	(170,000)				
PARS for hourly		(100,000)			
Reduce Equipment Replacement Funding			(100,000)	(100,000)	(100,000)
<b>Total</b>	<b>(170,000)</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>(325,000)</b>	<b>(127,000)</b>
<b>GENERAL FUND GRAND TOTAL</b>	<b>(1,039,400)</b>	<b>(1,250,700)</b>	<b>(1,045,100)</b>	<b>(1,307,700)</b>	<b>(1,408,200)</b>

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**POTENTIAL DEPARTMENT OPERATING REDUCTIONS  
FOR FISCAL YEAR 2010-11  
OPERATIONAL EFFICIENCIES**

**CITY CLERK**

- Reduce Records Management Program: \$7,000

The City Clerk's Office manages the City's records retention and storage. The City stores records at an off-site location with a third party vendor. Staff is evaluating the movement of off-site records storage to the City's warehouse at the MOC. The total annual budget is \$12,000. However, staff is phasing the transfer of records to the warehouse over the next fiscal year.

**TOTAL: \$7,000**

**FINANCE AND ADMINISTRATIVE SERVICES**

- Renegotiated Purchasing Contracts: \$85,000

The Purchasing staff has worked very diligently over the past year and a half to renegotiate and waive cost-of-living increases in services purchased by many City departments. Savings have been successfully negotiated in the City's janitorial, traffic signal maintenance, landscape maintenance, information technology maintenance, pest control, ranger services, downtown cleaning, laundry services, school crossing guards and more.

- Allocate 0.5 of Revenue Manager Position to Utilities: \$68,000

In Fiscal Year 2003-04, the Revenue Manager position was eliminated due to budget reductions taken in the last recession. In Fiscal Year 2008-09, The Revenue Manager position was added back through the elimination of other positions in the Finance and Administrative Services Department and is currently funded 100.0 percent by the General Operating Fund. As this position spends approximately 50.0 percent of its time managing the utility billing function, it is appropriate to charge 50.0 percent of the position to the Utility Funds.

**TOTAL: \$153,000**

## COMMUNITY DEVELOPMENT

- Transfer Administrative Support to the Building Division: \$24,500

This is an internal realignment of staffing to provide more support to Building Division administrative functions, freeing up other Building Division personnel to focus on service delivery and cross-training.

**TOTAL: \$24,500**

## PUBLIC WORKS

- Reduce Fleet Fuel Budget: \$25,000

Reduces budget for fuel purchases. Total budget reduction will be \$36,000, however the \$25,000 represents the approximately 70.0 percent General Operating Fund share of Fleet-related expenses. Fuel expenditures have been trending lower than budget.

**TOTAL: \$25,000**

## COMMUNITY SERVICES

- Reallocate Positions in the Parks Division: \$78,200

The reallocation of positions from the General Operating Fund to the Shoreline Community is to more accurately charge employees' time.

**TOTAL: \$78,200**

## FIRE

- Unfund 0.5 Emergency Medical Service Coordinator position: \$69,700
  - Unfunds 0.5 Emergency Medical Services Coordinator position (vacant)

The position has been vacant since last fiscal year and the Fire Department has determined that the work can be accomplished by a part-time employee or via contract. A recruitment process is underway and unfunding 0.5 of the position fully implements the change.

**TOTAL: \$69,700**

## POLICE

- Internal Police Department Reorganization: \$512,000
  - Eliminates 3.0 positions (vacant)

The Police Department has restructured their Patrol Team staff distribution to more effectively deploy Officers, better matching staffing levels with demand for service. This restructuring includes deploying eight smaller Patrol Teams in place of six larger teams. The patrol structure allows a smaller span of control for Police Sergeants and provides for the elimination of the Police Agent rank in patrol staffing. Of the existing six Agent positions, three are eliminated and three are upgraded to Sergeant positions to supervise the two additional teams and provide leave-staffing coverage.

**TOTAL: \$512,000**

## NON-DEPARTMENTAL

- PERS Prepayment: \$170,000

The Public Employees Retirement System (PERS) payment is generally due after each payroll. As an option, PERS allows agencies to fund their annual actuarially determined contribution at the beginning of the fiscal year. If an agency prefunds its annual contribution at the beginning of the fiscal year in-lieu of payments throughout the fiscal year, the agency receives credit for these contributions and earns the PERS actuarial rate of return of 7.75 percent for the fiscal year. The estimated savings are netted against the interest earnings the City would have potentially earned if the funds were paid throughout the fiscal year. The savings will vary depending on the City's investment rate of return. This option was not implemented earlier due to the losses being experienced in the PERS portfolio.

**TOTAL: \$170,000**

**TOTAL OF OPERATIONAL EFFICIENCIES: \$1,039,400**

**TOTAL POSITIONS: 3.5 (all vacant) \$581,700**

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**POTENTIAL DEPARTMENT OPERATING REDUCTIONS  
FOR FISCAL YEAR 2010-11  
TIER 1**

**CITY MANAGER/EMPLOYEE SERVICES**

- Restructuring of the City Manager's Office/ Employee Services Department:  
\$150,000
  - Unfunds Employee Services Director position (vacant), consolidates the Employee Services Director position with the Assistant City Manager position
  - Increases the Assistant to the City Manager position to full-time (from 0.75 FTE)
  - Reclassifies a Senior Personnel Analyst position to Employee Services Manager
  - Adds Student Intern hours

Restructuring the City Manager's Office and Employee Services Department will take advantage of efficiencies that will result in reduced staffing at the professional/managerial level as a result of retirement(s). The impact of the restructuring will result in reassigning some functions and tasks elsewhere in the organization and reprioritizing current workload that will likely result in changes in timing and scheduling of certain work products and activities.

**TOTAL: \$150,000**

**FINANCE AND ADMINISTRATIVE SERVICES**

- Reduce Contractual Services Funding: \$79,800
  - Reduces phone consultant contract \$64,800
  - Eliminates City Auditor budget \$15,000

The City previously used a phone consultant to manage the City's phone lines and bills. This proposal transfers responsibility and management of the telephone system to the Information Technology Division. This may result in longer response times for traditional Information Technology service requests from City departments. Also included in these reductions is funding for the City Auditor to use for outside consultants in completing tasks assigned by the City Council. This service reduction will require the appropriation of additional funds as they are needed.

- Reduce Internal Support Services: \$49,100

- Unfunds 0.5 Document Processing Technician position (vacant)

Reduces resources in the Finance and Administrative Services Department, impacting customer service to some external and internal customers.

Although work will be reallocated to other staff to the extent feasible, there will likely be service-level declines in a variety of support functions. There will likely be delays in completing job requests in the Document Processing Center and less flexibility and coverage during absences of vacation or illness.

**TOTAL: \$128,900**

## **COMMUNITY DEVELOPMENT**

- Reduce Resources for Planning Services: \$100,000

Reduces resources to support processing and analysis of development proposals, including specialized consulting services such as Development Review Committee architects, traffic consultants and Geographic Information Systems expertise.

The Community Development Department may be able to compensate for these reductions; however, additional resources will likely be required if land development activity increases.

**TOTAL: \$100,000**

## **PUBLIC WORKS**

- Reorganize the Public Works Department Administrative Support and Transportation Sections: \$93,700

- Unfund 1.0 Senior Administrative Analyst position (filled - potential retirement)
- Reclassify Executive Assistant position to Administrative Analyst I/II
- Reclassify one Office Assistant III position to Secretary
- Reclassify one Project Manager position to Transportation Planner

Reduces overall administrative, analytical, capital and operating budget support in the Public Works Department. Engineering and project management staff will be required to assume additional duties pertaining to contract execution and oversight and planning, noticing and mailing for public meetings.

- Reduce Street Maintenance Operations: \$33,100

- Unfund 1.0 Street Maintenance Worker I/II position (vacant – 0.34 in the GOF)

Reduces resources for preventive street maintenance resulting in a 15.0 percent to 20.0 percent reduction in pavement repairs. Other Streets Section activities (crack sealing, sidewalk repair, streetlight repair, sign replacement, street sweeping, etc.) would not be affected.

- Reduce Land Development Support in the Land Development Section: \$50,000

Reduces resources to respond to assignments not required by State law to be processed within specified time frames (e.g., excavation permits for residential and commercial developments that do not involve subdivision of land, excavation permits for utility companies, lot line adjustments, residential and commercial building permit reviews, requests received at the front counter, etc.). May also impact the section's ability to support the General Plan update and Environmental Impact Reports.

- Reduce Facilities Maintenance Services: \$168,400

- Unfunds 1.0 HVAC Technician position (vacant)
  - Reduces Facilities Maintenance outside services/contracts \$50,000

Reduces overall capacity to respond to and complete repair and maintenance-related work orders and requests at City facilities.

Reduces resources to perform both general preventive and skilled maintenance and repairs on heating, ventilating, air conditioning, and refrigeration control systems at City facilities. Some of the general HVAC maintenance functions could be shifted to other Facilities Maintenance Workers, further increasing their workloads, delaying other requested/required maintenance and repair functions, and potentially lengthening preventative maintenance cycles. For more complex and/or urgent HVAC maintenance and repairs, contract services may be required.

**TOTAL: \$345,200**

## **COMMUNITY SERVICES**

- Reduce Administrative Support: \$99,000

- Unfunds 1.0 Secretary position (vacant)

Administrative support functions would be assigned to other staff to the extent feasible.

**TOTAL: \$99,000**

## **LIBRARY**

- Reduce Public Services and Programs: \$68,000

- Unfunds 0.75 Library Assistant I/II position (vacant)

Library customers will experience longer wait times for services as fewer staff resources will be available.

**TOTAL: \$68,000**

## **FIRE**

- Unfund 0.5 Executive Assistant Position: \$52,500

- Unfunds 0.5 Executive Assistant position (vacant)

A consolidation of Fire and Police administrative support functions is underway including the sharing of an Executive Assistant by the Fire Chief and Police Chief. This budget modification adjusts funding to reflect the new organizational structure.

**TOTAL: \$52,500**

## POLICE

- Unfund 0.5 Executive Assistant Position: \$52,500
  - Unfunds 0.5 Executive Assistant position (vacant)

A consolidation of Fire and Police administrative support functions is underway including the sharing of an Executive Assistant by the Fire Chief and Police Chief. This budget modification adjusts funding to reflect the new organizational structure.

- Reduce Police Assistant Staffing: \$142,100
  - Unfunds 1.5 (three 0.5 FTE) Police Assistant positions (filled)

Service level impacts include less availability to perform tow impound hearings to evaluate if a vehicle may be released to people who have had their vehicle impounded.

Data collection and administrative support for the Traffic Sergeant will be eliminated, requiring the Sergeant to absorb the workload, reducing time available for traffic enforcement.

In Crime Analysis, there would be less frequent distribution of crime bulletins to assist in finding suspects, vehicles, etc. The reduced capacity to enter police reports into the computer system means some information may not be available for other criminal investigations.

In Investigative Services, the resources to locate missing persons and make contact with their families will be reduced, as will capacity to provide administrative support to the monitoring of registered sex offenders. This work will transfer to Detectives to prioritize with their existing caseload, which will impact customer service.

- Reduce Police Athletic League (PAL) Support: \$12,500
  - Unfunds hourly wages

The City recently received a Federal Police Athletic League Recovery Act Grant that will offset the \$25,000 of hourly PAL Police Assistant support. The \$5,000 grant will fund an hourly Police Assistant to implement a youth mentoring program. Having an additional person in PAL, the economy of scale will allow the City to reduce the General Operating Fund support for MVPAL by 50.0 percent

(\$12,500) and still preserve existing programs and services as well as add the mentoring program services.

**TOTAL: \$207,100**

**NON-DEPARTMENTAL**

- Alternative Retirement System for Hourly Employees: \$100,000

Would enroll hourly employees in an alternative retirement system deferred compensation 457 plan instead of Social Security. The employee's contributions would be portable and they are immediately vested.

**TOTAL: \$100,000**

**TOTAL OF TIER 1: \$1,250,700**

**TOTAL POSITIONS: Net 8.5 (6.0 vacant, 2.5 filled) \$899,600**

**POTENTIAL DEPARTMENT OPERATING REDUCTIONS  
FOR FISCAL YEAR 2010-11  
TIER 2**

**EMPLOYEE SERVICES**

- Reduce Capacity in Recruitment and Training Support: \$62,000
  - Unfunds 0.5 Personnel Analyst I/II position (filled)

The Employee Services Department would have less capacity to support hiring and promotional activities and may reduce the frequency of certain training and employee development activities.

**TOTAL: \$62,000**

**FINANCE AND ADMINISTRATIVE SERVICES**

- Reduce Internal Support Services: \$28,000
  - Unfunds 0.5 Copy Center Assistant position (filled)

Reduces resources in the Finance and Administrative Services Department, impacting customer service to internal customers. There will likely be delays in completing job requests in the Copy Center. Some copying jobs could be required to be outsourced, and there will be less flexibility and coverage during absences of vacation or illness.

**TOTAL: \$28,000**

**COMMUNITY DEVELOPMENT**

- Reduce Resources for Planning Services: \$177,500
  - Unfunds 1.0 Planning Manager position (vacant)

Reduces day-to-day management and strategic oversight of planning services, potentially prolonging implementation of the General Plan. The Community Development Department may be able to compensate; however, additional resources will likely be required if land development activity increases and when the General Plan shifts to an implementation phase.

**TOTAL: \$177,500**

## **PUBLIC WORKS**

- Reduce Traffic Engineering Support in the Traffic Engineering Section: \$20,000

Limits the number of Neighborhood Traffic Management Program (NTMP) projects to four projects per year (currently unlimited) and sets four as the minimum number of years required to revisit proposed NTMP projects that failed to meet the minimum screening criteria (currently one year). Also reduces resources to respond to residents' traffic-related inquiries and section review of improvement plans related to residential and commercial developments that are not required by State law to be processed within specified time frames.

**TOTAL: \$20,000**

## **COMMUNITY SERVICES**

- Reduce Center for the Performing Arts Frequency (Distribution) of *Preview* Magazine Mailings: \$7,000

On-line marketing efforts would be increased and the number of *Preview* magazines printed and mailed would be reduced.

- Reduce Ranger Contract Services: \$15,200

Reducing ranger hours will reduce the ranger presence in Cuesta and Rengstorff Parks to patrol and enforce park rules. This may require additional support from the Police Department to handle incidents outside ranger patrol hours. With these reductions, ranger hours will return to pre-2007-08 levels.

- Eliminate Dedicated Weed Abatement Program: \$105,200

- Unfunds 1.0 Parks Maintenance Worker III position (vacant)

Decentralizing weed abatement and adding it to the workload of other employees will result in more weeds in City parks and medians as the maintenance priority is park safety and cleanliness. Park and roadside aesthetics will be affected and there will be additional burden on supervisors to train and monitor staff in the safe application of pesticides.

- Reduce Overtime, Supplies: \$18,300

Reductions in staff overtime and other accounts will result in it being more difficult to manage fluctuations in workload, special requests, storms and emergencies.

- Reduce Steam Cleaning/High Pressure Washing on Castro Street: \$14,600

The frequency of Castro Street high-pressure steam cleaning would be reduced from 16 to 9 times a year. Decreased cleaning will affect the cleanliness and aesthetics of the downtown.

- Unfund 1.0 Tree Trimmer position: \$101,500

- Unfunds 1.0 Tree Trimmer I/II position (vacant)

Results in fewer trees being trimmed, a reduction in service levels including tree watering, removing/replacing dead trees, responding to fluctuations in workload and emergency response. The time to complete customer service requests to prune or remove trees would increase from ninety (90) days to one-hundred fifty (150) days.

**TOTAL: \$261,800**

## **LIBRARY**

- Unfund 1.0 Supervising Librarian or Library Services Manager position: \$122,000

- Unfunds 1.0 Supervising Librarian or Library Services Manager position (filled)

Combines responsibilities of the Supervising Librarian and the Division Manager in the Support Services Division. Redefines work responsibilities, changes work procedures, delegates some tasks, potentially outsources some tasks and may affect timeliness of projects and some services.

- Reduce General Operating Fund Support of Mobile Library Service: \$50,000

The City recently received a \$75,000 grant that will allow mobile library service to be continued at the current level in Fiscal Year 2010-11. While this will preserve basic services, the number of facilities (primarily businesses, day-care centers and senior facilities) receiving service will be reviewed and some sites may receive less

frequent stops. If additional grant funding is not obtained in future years, the Mobile Library Service Program will be discontinued unless supplemental funding is identified.

**TOTAL: \$172,000**

## **POLICE**

- Reduce Records Section Staffing: \$111,000
  - Unfunds 1.0 Police Records Specialist positions (filled)

The Records Unit will close to external and internal customers from 10:00 p.m. to 5:00 a.m., 7 days a week. Time-critical and essential responsibilities would be reassigned to the Emergency Communications Center (ECC) during those hours. Work quantity for the remaining Public Records Section staff would increase.

- Unfund Community Services Officer position: \$112,800
  - Unfunds 1.0 Community Services Officer positions (filled)

Unfunds the CSO assigned to the Traffic Unit as the Abandoned Vehicle Abatement Services Officer (AVASA) position. Tagging and removal of abandoned vehicles could be transferred to the field CSO's and there would be some level of diminished service level to the community as this function would not be as high a priority as it is now with an assigned CSO to this function.

**TOTAL: \$223,800**

## **NON-DEPARTMENTAL**

- Reduce Equipment Replacement Funding: \$100,000

Would reduce the annual funding amount needed to maintain funding in the equipment Replacement Reserve. Reduced funding in the long-term could delay the replacement of equipment when needed.

**TOTAL: \$100,000**

**TOTAL OF TIER 2: \$1,045,100**  
**TOTAL POSITIONS: 7.0 (3.0 vacant, 4.0 filled) \$758,000**

**POTENTIAL DEPARTMENT OPERATING REDUCTIONS  
FOR FISCAL YEAR 2010-11  
TIER 3**

**CITY CLERK**

- Reduce Customer Service and City Council Support: \$45,000
  - Unfunds 0.5 Office Assistant III position (vacant)

The City Clerk's Office will no longer be able to support the scheduling, logistics and coordination of City Hall meeting rooms by outside agencies or organizations. City Council administrative support would also be reduced.

**TOTAL: \$45,000**

**CITY ATTORNEY**

- Reduce Code Enforcement Services by 50.0 Percent: \$125,000
  - Unfunds 1.0 Code Enforcement Officer position (filled)

Currently, staff responds to a complaint within five days of receiving the complaint. With the potential reductions, response times will increase significantly due to workload. Code enforcement actions will focus almost exclusively on life safety and zoning issues. Neighborhood preservation complaints such as front-yard storage, private-property parking complaints, signs and weeds would be considered lower-priority complaints and will result in some increase in the number of out-of-conformance properties.

**TOTAL: \$125,000**

**CITY MANAGER**

- Reduce the City's Multilingual Outreach Program: \$12,800
  - Eliminates hourly wages

The impact of reducing the program will be to limit the ability to interpret and translate (at meetings and written communications) in Russian and Chinese and would require the reliance solely on volunteers to provide Russian, Chinese and to supplement the capacity in Spanish interpretation and translation.

**TOTAL: \$12,800**

## FINANCE AND ADMINISTRATIVE SERVICES

- Reduce Internal Support Services: \$39,600
  - Unfunds 1.0 Accounting Technician in Revenue (filled)

Reduces resources in the Finance and Administrative Services Department, impacting customer service to some external and internal customers.

Although work will be reallocated to other staff to the extent feasible, there will likely be service-level declines in a variety of support functions. There will likely be delays in reconciling accounts and responding to customer service requests. There will be less flexibility and coverage during absences of vacation or illness.

**TOTAL: \$39,600**

## PUBLIC WORKS

- Eliminate Dedicated Graffiti/Shopping Cart Abatement Program: \$54,700
  - Unfunds 1.0 Customer Service Technician position (filled - 0.5 in the GOF)

Field crews would respond to shopping cart incidents when hazardous conditions are identified. Graffiti incidents would be addressed on an as-time-permits basis and will result in delayed response to graffiti clean-up. Water utility-related functions (e.g., special water meter reads, delinquent account notices, service turn-ons/turn-offs, etc.) would be absorbed by other water utility staff.

**TOTAL: \$54,700**

## COMMUNITY SERVICES

- Reduce Center for the Performing Arts Client Technical Support Services: \$92,800
  - Unfunds 1.0 Performing Arts Assistant position (filled)

Reduces the ability for Performing Arts staff to train clients, staff and volunteers in the proper and safe use of systems, spaces and equipment. Technical consultations would be eliminated, except on a cost-recovery basis, potentially impacting smaller, nonprofit clients. City-sponsored events would also be required to pay for direct out-of-pocket costs.

- Reduce Downtown Maintenance and Roadway Landscape Maintenance: \$104,400
  - Unfunds 1.0 Parks Maintenance Worker I/II position (filled)
  - Eliminates steam cleaning/high pressure washing contract services for Centennial Plaza \$7,000

Maintenance and service level reductions in roadway landscape will increase workloads and reduce trim cycles, resulting in less attractive medians and increased plant mortality over time. Steam-cleaning Centennial Plaza would be eliminated. Decreased cleaning will affect cleanliness and aesthetics.

**TOTAL: \$197,200**

## **LIBRARY**

- Reduce the Materials Budget: \$50,000

Reduces the quantity of new materials added to the collection and the number of multiple copies of popular items. Library customers will have longer waits for popular books and DVD titles and old, worn-out materials will not be replaced as quickly.

**TOTAL: \$50,000**

## **FIRE**

- Reduce Fire Outreach/Education/Media: \$121,800
  - Unfunds 1.0 Public Education Specialist position (filled)

Reduces capacity of the Fire Department to conduct outreach to the community in the area of fire prevention and emergency preparedness, through public education and engagement. (Basic emergency preparedness planning and training will be continued, including CERT.) The ability to handle media inquiries or proactively engage the mass media to communicate prevention and preparation information will be reduced. Returns staffing and services for this function to the level prior to Fiscal Year 2007-08.

**TOTAL: \$121,800**

## **POLICE**

- Unfund 2.0 Community Services Officer positions: \$225,600

- Unfunds 2.0 Community Services Officer positions (filled)

Unfunds the CSO assigned to the Community Action and Information (CAI) Unit and the CSO assigned to the Special Operations Division (SOD) as a fraud investigator.

The CSO assigned to CAI coordinates Neighborhood Watch and Business Watch outreach efforts, reviews new building project permit applications, oversees the false alarm program, attends community events, conducts presentations on crime and crime prevention and conducts security inspections. Many of the public outreach events would be eliminated and other responsibilities would be assigned to other personnel.

Unfunding the SOD CSO requires suspending the following fraud investigations: Identity thefts where the bank/corporation/retailer suffers the loss; Identity thefts where the victim's losses are less than \$2,000; Frauds where the bank/corporation/retailer suffers losses less than \$3,000 and the suspect is unknown but leads exist; and Frauds where individuals suffer losses less than \$2,000 and the suspect is unknown but leads exist.

- Reduce Records Section Staffing: \$111,000

- Unfunds 1.0 Police Records Specialist position (filled)

In addition to the reduced hours in tier 2, the Operational Services Police Records Specialist position would be transferred back into the Records Section. Additional administrative duties currently assigned to the Operational Services Records Specialist would be reassigned to clerical staff or the units' Police Sergeant.

**TOTAL: \$336,600**

## **NON-DEPARTMENTAL**

- Charge Wholesale Water Rate for City Parks Irrigation: \$225,000

The City of Mountain View is the largest consumer of water in the City. Water is used for public areas such as parks and landscape medians, etc. Currently the City pays for water at the retail commercial rate. This would change the to the City

paying the wholesale cost of water as there is a significant public benefit for the water the City uses in public areas.

- Reduce Equipment Replacement Funding: \$100,000 (total of \$200,000)

Would reduce the annual funding amount needed to maintain funding in the equipment Replacement Reserve by a total of \$200,000. Additional reduced funding in the long-term could further delay the replacement of equipment when needed.

**TOTAL: \$100,000**

**TOTAL OF TIER 3: \$1,307,700**

**TOTAL POSITIONS: 9.5 (0.5 vacant, 9.0 filled) \$912,900**

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**POTENTIAL DEPARTMENT OPERATING REDUCTIONS  
FOR FISCAL YEAR 2010-11  
TIER 4**

**PUBLIC WORKS**

- Reorganize the Public Works Department Administrative Support and Transportation Sections: \$95,500
  - Unfund 1.0 Transportation and Policy Manager position (filled – potential retirement)

Reduces staff resources to support the Bicycle/Pedestrian Committee, Council Transportation Committee and Council Environmental Sustainability Committee – all three will meet on a quarterly basis.

To provide the level of staff support required by the Council High-Speed Rail Committee during this period of peak activity, a limited-period (two years) Project Manager-level position will be needed at an estimated annual cost of approximately \$146,000 in temporary funding.

**TOTAL: \$95,500**

**COMMUNITY SERVICES**

- Reduce Tree Trimming Cycles or Eliminate Maintaining City Street Trees Behind Monolithic Sidewalks: \$203,000
  - Unfunds 2.0 Tree Trimmer I/II positions (one vacant, one filled)

One approach is to reduce tree trim cycles from an average of every 7 to 10 years to 9 to 12 years, relying more on contract service for tree trimming, tree removals and routine service requests. (Note: The City maintains a current total tree inventory of 28,000 trees (19,000 of these are street trees), with plans to add 5,000 more.) An alternative approach is to transfer maintenance of the 12,800 City street trees located behind monolithic sidewalks to property owners. This reduces the street tree inventory maintained by the City from 19,000 trees to 6,200 trees. Either option reduces the City's ability to provide prompt customer service, plant new trees, water younger trees, remove debris, respond to emergencies and might affect the City's "Tree City USA" status.

- Reduce Deer Hollow Farm Staffing: \$25,000
  - Unfunds 0.25 Recreation Coordinator position (filled)

Reduces aspects of the livestock program. Transfers teaching of some classes to other staff members or volunteers. Reduces time to interact with volunteers.

**TOTAL: \$228,000**

## **LIBRARY**

- Unfund 1.0 Supervising Librarian: \$122,000
  - Unfunds 1.0 Supervising Librarian position (filled)

Will impact the oversight of a major functional area to be determined. The Manager or other Supervisor will assume most responsibility and will redistribute other tasks. Will affect timeliness of new service implementation, follow-up to problems and reduce staff hours for direct public services.

- Reduce Library Hours: \$150,000
  - Unfunds hourly wages

Reduces funding for the hourly support that allows the Library to operate 7 days, 64 hours per week. This reduction will result in the need to reduce Library operating hours 6 to 8 hours per week (with days and hours and affected services to be determined).

**TOTAL: \$272,000**

## **POLICE**

- Reduce Community Services Officer Staffing: Up To \$564,100
  - Unfund 5.0 Community Services Officer positions (filled)

Unfunds the five (5) CSO's assigned to the Filed Operations Division. Unfunding these positions would require the Department to make significant changes in response to certain incidents. It would require the Department to implement a robust Differential Police Response (DPR) program. The DPR program would result in minor crime reports with no suspect information, traffic accidents with no injuries, as well as service-related reports being directed primarily to internet

reporting, phone reporting or counter reporting, versus sending a Police Officer or a Community Services Officer to take the Police Report.

- Reduce Records Section Staffing: \$121,600
  - Unfunds 1.0 Lead Police Records Specialist position (filled)

Closes the Records Unit on the weekend. Transfers time-critical and essential responsibilities to the EEC from Friday night at 10:00 p.m. to Monday morning at 5:00 a.m. Part-time staff may be needed to handle vehicle releases and other services at the public counter, thereby relieving sworn or CSO personnel from sporadically responding to the counter from the field. There would be an increased span of control to remaining supervisory staff.

**TOTAL: \$685,700**

#### **NON-DEPARTMENTAL**

- Reduce Nonprofit Funding: \$27,000

Would reduce the annual funding for nonprofit groups by 15.0 percent.

- Reduce Equipment Replacement Funding: \$100,000 (total of \$300,000)

Would reduce the annual funding amount needed to maintain funding in the equipment Replacement Reserve by a total of \$300,000. Additional reduced funding in the long-term could further delay the replacement of equipment when needed.

**TOTAL: \$127,000**

**TOTAL OF TIER 4: \$1,408,200**

**TOTAL POSITIONS: 10.25 (1.0 vacant, 9.25 filled) \$1,131,200**

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# Attachment C

## REVENUE ENHANCEMENTS FOR FISCAL YEAR 2010-11

### INTRODUCTION

On April 6, 2010, staff presented to Council specific information regarding the second prong, revenue enhancements, in the City's three-pronged approach to structurally balance the City's General Operating Fund Budget for Fiscal Year 2010-11. The major focus of the potential revenue enhancements presented was to increase the cost recovery for existing services and suggest potential new fees. At that meeting staff presented:

- Draft Cost-Recovery Policy for Recreation Services/Programs.
- Recommended changes to existing fees.
- Identification of potential new fees.

Staff provided specific information and recommendations regarding cost-recovery fees for all departments with the exception of the Police Department. At that time, staff had just recently received the Police Department cost-of-service study information and did not have sufficient time to review the data and make recommendations.

A summary of potential fee increases and projected increased revenue presented at the April 6 meeting were:

Recreation Fees	\$637,200
Center for the Performing Arts	36,500
Forestry	39,700
Public Works	55,100
Community Development	55,700
Library Services	200
Police Department	\$125,000 to 350,000
 Total Range	 \$900,000 to \$1.2 million

At the Study Session, Council provided comments and asked questions about the fees to staff. The next section of this report provides an update to the information presented at the April 6 Study Session.

## UPDATE

Based on the feedback provided by Council, staff has done the following:

- Reviewed with the Parks and Recreation Commission (PRC) the draft Cost-Recovery Policy and Heritage tree application and appeal fees.
- Reviewed the recommended Recreation fees where the impact of the fee increase may be needed to be phased in over a period of time.
- Reviewed the Police Department cost-of-service study, performed additional market analysis and developed fee recommendations.
- Reviewed other fees and made adjustments, as necessary.
- Prepared a pilot project scope and time line for the potential Shoreline park fee.
- Notified categories of stakeholders of potential fee increases.

### Community Services Department Fees and Draft Recreation Cost-Recovery Policy

At the Study Session of April 6, 2010, the City Council requested the PRC review the categorization of programs and services in the draft Cost-Recovery Policy and ensure it is consistent with the Recreation Plan. The City Council also asked the PRC to review the Heritage tree application and appeal fees. These items were reviewed at a meeting of the PRC on April 22, 2010.

The PRC recommended no changes to the categorization of programs and services in the draft Cost-Recovery Policy and believes it is consistent with the Recreation Plan. With regard to the Heritage tree application fee and appeal fee, the PRC recommended increasing the application fee up to the full level of cost recovery or \$116.00 versus the staff recommendation of \$95.00 but reduced the appeal fee to \$50.00. The PRC indicated the intent is to not discourage the filing of appeals. See Exhibit 1 for more detail and discussion.

Staff has reviewed the recommended fees to determine which fees, if any, should be phased in over a period of time due to the amount of the increase. Areas recommended to be phased are some activities in the Aquatics program, the Community Garden and gym rentals by the YMCA. Some other fees will not be able to be implemented effective July 1, 2010 due to the timing of the adoption of any fee increases and the publication of the Recreation Guide. For example, summer recreation program fees have already been published and registration has occurred; therefore, any fee increases associated with these programs will not be implemented until later in the fiscal year. The projected revenue loss for fees that are recommended to be phased in or will not be able to

achieve a full year of revenue due to the required implementation time line is \$128,100. This amount is recommended to be backfilled with Budget Contingency Reserve funds for Fiscal Year 2010-11. Total revenue projected to be generated by the adjustments based on the recommended Recreation Cost-Recovery Policy is \$622,200. See Exhibit 2 for the listing of detailed recreation fee recommendations. In addition, as discussed on April 6, staff is recommending a 1.0 percent to 3.0 percent on-line convenience fee to recover the cost of merchant fees the City must pay to process credit payments.

### Police Department Fees

The Police Department engaged outside professional assistance to review all of the Police Department fees. Results of the study were not provided in sufficient time for staff to review and evaluate the report in detail for the April 6 Study Session. Although some 70 fees were included in the study, based on the areas of the lowest cost recovery or highest potential for increased cost recovery, staff identified four areas of focus as follows:

- Alarm permitting and false alarm fines.
- Clearance letters.
- Citation sign-offs.
- Vehicle release fee.

The total cost of the alarm permitting and false alarm program is \$290,500 and the fees for responding to a false alarm are set at escalating amounts as the number of false alarms responded to at a given address increase in a given 12-month period. It is recommended that the fees for false alarm responses continue to increase based on the number of false alarm violations, with the first false alarm being free for permitted residences/businesses. Based on the study, the program is not fully cost-recovered and permit and false alarm fees are recommended to be 100 percent cost-recovered on a program level. In addition, the fines for fourth and fifth-plus responses are fines set at a level above 100 percent cost recovery as a deterrent for repeated false alarm responses. This is projected to generate an additional \$96,700 in revenues.

A clearance letter is a document that contains information about an individual's criminal record. These letters are sometimes required when applying for a visa, other travel purposes or when adopting a child, etc. The benchmark within the County ranges from no charge to \$50.00 per letter. Total cost recovery would be \$57.28 per letter. The recommendation is to increase this fee from \$12.00 to \$40.00 per letter. There may be a reduced volume at this rate based on the belief that some non-Mountain View-based organizations that use this service because of its low rate may go elsewhere

to obtain a clearance letter. Additional revenue projected based on the current volume is \$55,000.

Citation sign-offs are required as proof of correction of the item indicated on a citation. Currently, a Mountain View resident would pay nothing for a Mountain View Police Department citation and \$8.00 for a non-Mountain View Police Department citation sign-off. It is recommended that Mountain View residents receive this service free of charge. The recommendation is to increase the Mountain View nonresident fee from \$12.00 to \$25.00. This is less than the calculated cost recovery of \$88.69 per sign-off but is consistent with the benchmark comparison which ranges from no fee to \$40.00 for nonresidents.

It is recommended that the fee for vehicle releases increase from \$75.00 to \$150.00. This is less than the calculated cost-recovery amount of \$409.98 per release, but it is consistent with the benchmark comparison which shows fees ranging from \$33.00 to \$189.00 with the average (excluding Mountain View) being \$133.00.

The activity, current fee, recommended fee and projected additional revenue for Police Department fees are as follows:

<u>Activity</u>	<u>Current Fee</u>	<u>Recommended Fee</u>	<u>Additional Revenue</u>
Alarms:			
Annual Permit—Residential	\$ 16.50	\$ 20.00	
Annual Permit—Commercial	63.00	80.00	
First Response <sup>(1)</sup>	no charge	no charge	
Second Response <sup>(1)</sup>	82.00	100.00	
Third Response <sup>(1)</sup>	110.00	150.00	
Fourth Response <sup>(1)</sup>	220.00	250.00	
Fifth Response and Over <sup>(1)</sup>	330.00	500.00	
Total for Alarm Permit and False Alarm Fees			\$ 96,737
Clearance Letter	12.00	40.00	55,048
Citation Sign-Off			
MVPD/MV Resident	no charge	no charge	-0-
Non-MVPD/MV Resident	8.00	no charge	-0-
MVPD/MV Nonresident	12.00	25.00	unknown <sup>(2)</sup>
Non-MVPD/MV Nonresident	12.00	25.00	unknown <sup>(2)</sup>

<u>Activity</u>	<u>Current Fee</u>	<u>Recommended Fee</u>	<u>Additional Revenue</u>
Vehicle Release Stored or Impound	75.00	150.00	<u>70,125</u>
Total Police Department Additional Revenues from Recommended Fees			<u>\$221,910</u>

<sup>(1)</sup> Within the prior 12-month period.

<sup>(2)</sup> Data not available to calculate additional revenue.

These fees are recommended to be as close to full cost recovery as possible taking into consideration market/benchmark information and are projected to generate additional revenues of \$221,900.

#### Adjustments to Other Fees

Staff reviewed all the fees presented to Council at the April 6 Study Session. After additional review, staff is not recommending the new Historic Preservation Permit fee because the preservation of historic structures is a public benefit. There currently is no fee for this permit and the recommended fee of \$544.00 was projected to generate \$544.00 in additional revenue. A listing of fees recommended for adjustment is included in Exhibit 3.

Several additional street improvements (utility hourly rates) are included in Exhibit 3 and recommended with an increase.

#### Shoreline Park Parking Fee

As discussed at the Study Session, due to a variety of factors, staff does not recommend this potential revenue source be considered in balancing the Fiscal Year 2010-11 budget. However, at the April 6 Study Session, Council requested staff develop a work plan and time line for the implementation of a Shoreline park parking fee.

As previously discussed, the major issues related to a Shoreline park parking fee are:

- Impact to the businesses in the park.
- Required Board of Supervisors approval.
- Equipment needs and implementation logistics.

- Implementation and operational costs.
- Other unintended consequences.

Exhibit 4 provides more detail and information on this topic. Staff is recommending professional parking consulting services to evaluate the issues associated with this project and estimate \$85,000 would be needed for the study.

If the Council wishes to pursue a pilot Shoreline park parking fee program, then staff will return to Council to further discuss the program and discuss a strategy to approach the County.

#### Stakeholders Notification

Notifications regarding proposed recreation fee increases were sent to the Mountain View Masters Swimming Organization, youth sports groups, special event and banner applicants, Willowgate and YMCA. Notifications were also posted at the Eagle and Rengstorff Pools, Whisman Sports Center, Mountain View Sports Pavilion, Senior Garden and the Community Center.

On April 21, 2010, a letter discussing potential changes to development-related fees was mailed to development-related businesses and organizations.

#### CONCLUSION

One of the three prongs proposed to structurally balance the Fiscal Year 2010-11 General Operating Fund budget is achieving additional revenues through higher levels of cost recovery. Staff has developed a draft Cost-Recovery Policy for recreation fees and that policy has been reviewed by the PRC. The PRC concurred with staff's categorization of services and that the policy is in alignment with the Recreation Plan. Staff has also reviewed all fees recommended for adjustments and identified those fees that are recommended to be phased in over a two- to three-year period. The estimated shortfall in revenues, due to the delay in implementing the full recommended fee, is

proposed to be backfilled by the Budget Contingency Reserve in the amount of \$128,100. A summary of revenues generated by the recommended fee adjustments is as follows:

Recreation Fees	\$ 637,200
Center for the Performing Arts	36,500
Forestry	46,600
Public Works	55,100
Community Development	55,100
Library Services	200
Police Department	<u>221,900</u>
Total Additional Revenue	<u>\$1,052,700</u>

Based on the recommended fees, the goal of achieving the \$1.0 million in revenue enhancement prong to assist in balancing the budget for Fiscal Year 2010-11 is achievable.

PJK/9/BUD  
546-04-29-10A^

- Exhibits:
1. Parks and Recreation Commission Follow-Up to April 6, 2010 Budget Study Session
  2. Recommended Recreation Cost-Recovery Fees, Targets and Projected Additional Revenue
  3. Other Department Fee Recommendations
  4. Potential Shoreline Regional Park Fee Feasibility Study

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CITY OF MOUNTAIN VIEW  
MEMORANDUM

DATE: April 29, 2010

TO: City Council

FROM: Regina Maurantonio, Recreation Manager

SUBJECT: PARKS AND RECREATION COMMISSION FOLLOW-UP TO APRIL 6,  
2010 BUDGET STUDY SESSION

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**PURPOSE**

At the April 6, 2010 Budget Study Session, City Council reviewed a draft Recreation Cost-Recovery Policy. Council requested the Parks and Recreation Commission review whether or not the categorization of programs and services contained in the proposed Recreation Cost-Recovery Policy reflected the key components of the Recreation Plan. Council also requested that the Commission review the proposed Heritage tree application and appeal fees. The purpose of this memo is to summarize the Commission's discussion regarding both topics.

**BACKGROUND**

Proposed Cost-Recovery Policy and Recreation Plan

A Special Meeting of the Parks and Recreation Commission was convened on April 22, 2010. Staff presented an overview of the proposed Recreation Cost-Recovery Policy and proposed Heritage tree fees (Attachment 1—April 22, 2010 Staff Report to the Parks and Recreation Commission). The Commission indicated that the categorization of services was reflective of the priority outcomes, program and service recommendations, and target markets as outlined in the Recreation Plan. For example, the Commission felt that listing after-school programs in Level 1 supported the recommendation in the Recreation Plan regarding the offering of on-site after-school activities for elementary and middle school youth. After review of the key components of the Recreation Plan and further discussion, the Commission voted (5-0) to recommend the categorization of recreation programs and services as outlined in the draft Recreation Cost-Recovery Policy.

### Heritage Tree Fees

The Commission reviewed and discussed the proposed Heritage tree application and appeal fees and felt that, given the community-wide benefit Heritage trees provide, the application fee should be higher than the appeal fee. The Commission reasoned the right to request a tree's removal was of benefit only to the applicant (or individual) and should be charged at full cost recovery (direct and indirect costs). The appeal fee on the other hand should be lower so as not to dissuade or deter an individual from appealing the removal of a Heritage tree (community-wide asset). The Commission voted (5-0) on the following recommendations which support the intent of the Heritage Tree Ordinance:

- Waive the application fee in instances where a tree is diseased or dead.
- Fully cost recover the application fee at \$116 (capturing both direct and indirect costs).
- Set the appeal fee at \$50.
- Require property owners to pay the full cost of an appeal fee if the owner is appealing a City decision to deny removal of the tree.

Should the Council adopt the Heritage tree application and appeal fees recommended by the Commission, this would result in a modest revenue increase of \$7,000 from the previous revenue estimate.

### Commission Comments

In addition to providing the Council with input on the two items above, the Commission wished to forward two comments for Council consideration regarding the draft Recreation Cost-Recovery Policy. First, the Commission supported the 25 percent nonresident fee and indicated that should the Recreation Cost-Recovery Policy be adopted, the Commission would like to review the nonresident fee after a full year of implementation. Secondly, in the future, the Commission would like staff to consider differential pricing for certain recreation programs and services. An example would be charging a higher price for recreation swim on weekends than on weekdays.

### CONCLUSION

The City Council requested feedback from the Parks and Recreation Commission regarding whether or not the proposed categorization of recreation programs and services reflected the key factors of the Recreation Plan and Heritage tree application

and appeal fees. A summary of the Commission's actions from the April 22, 2010 meeting is provided for Council consideration.

Prepared by:



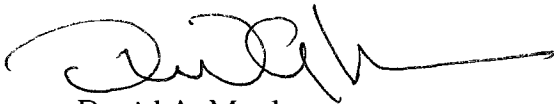
Regina Maurantonio  
Recreation Manager

Approved by:



Nadine P. Levin  
Assistant City Manager

Reviewed by:



David A. Muela  
Community Services Director

RM/9/CSD  
234-04-23-10M-E^

Attachment: 1. April 22, 2010 Staff Report to the Parks and Recreation Commission

CITY OF MOUNTAIN VIEW  
MEMORANDUM

DATE: April 22, 2010

TO: Parks and Recreation Commission

FROM: Regina Maurantonio, Recreation Manager  
Rochelle Kiner, Senior Administrative Analyst (Acting)

SUBJECT: PROPOSED RECREATION COST-RECOVERY POLICY AND HERITAGE  
TREE FEES

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PURPOSE

At the City Council Budget Study Session on April 6, 2010, the Council requested the Parks and Recreation Commission (Commission) provide input on the categorization of programs and services contained in the proposed Recreation Cost-Recovery Policy to make sure it is consistent with the principles set forth in the Recreation Plan. The City Council also asked the Commission to review the proposed Heritage tree application and appeal fees.

RECOMMENDATION

Provide a recommendation to the City Council regarding the categorization of services within the proposed Recreation Cost-Recovery Policy with consideration to the Recreation Plan's outcomes, key recommendations and target markets. Also provide input regarding proposed fee recommendations for Heritage tree applications and appeals.

BACKGROUND

During the April 6, 2010 City Council Study Session regarding the budget, Council reviewed a draft Recreation Cost-Recovery Policy (Policy) and directed staff to meet with the Parks and Recreation Commission to gain the Commission's insight as to whether or not the programs and services categorized in the proposed Policy addresses the priorities outlined in the Recreation Plan. The Policy was developed in response to Council's request to create an ongoing structure for defining and maintaining cost recovery or subsidy levels for programs and services (Attachment 2).

Council also requested the Commission review proposed fees for Heritage tree applications and appeals. The proposed fees are based on the average cost for staff time

related to each service (Attachment 3). In considering the proposed fees, Council requested that the Commission also address the following questions:

- Should an application fee waiver be given in instances where a tree is diseased or dead?
- Should fees be based on full cost recovery?
- Should a property owner pay the full cost of an appeal fee if they also paid an application fee?

#### Cost-Recovery Proposal

Attachment 1—Recreation Cost-Recovery Policy Memo to Council, provides a comprehensive analysis of the development of the proposed Recreation Cost-Recovery Policy. An important component of the Policy involves the categorization of recreation services among three levels: Level 1 (community-wide benefit); Level 2 (both a community-wide and individual benefit); and Level 3 (individual or group benefit). Based on the service level, a corresponding range of cost recovery is proposed as part of the Policy.

#### Recreation Plan

The Commission is asked to look at the Policy's proposed categorization of services (Page 3, Attachment 2) and discuss whether or not the proposed categorizations are consistent with the outcomes, priority recommendations and target markets of the Recreation Plan (Attachment 4—Executive Summary of the Recreation Plan). The following provides a brief synopsis of the outcomes, program and service recommendations and target markets.

#### Outcomes

Below are program and service outcomes identified by residents as part of the Recreation Plan:

##### Top-Priority Outcomes

- Promotes Access for All
- Stewards Open Space
- Enhances Safety and Security

#### High-Priority Outcomes

- Expands Community Resources
- Promotes Lifelong Learning
- Supports a Walkable Community

#### Priority Outcomes

- Promotes Cultural Diversity
- Encourages Health and Wellness
- Builds a Strong Sense of Community
- Supports Asset Development for Youth

#### Program and Service Recommendations

In addition to the outcomes listed above, 23 program and service recommendations were identified in the Recreation Plan. While each of the recommendations are key to the overall success of the City's recreation services, the following top five recommendations were prioritized by the Commission and approved by the City Council as ones to focus on in the first three years of implementation of the Recreation Plan:

No. 2—Develop health and wellness programs.

No. 3—Strengthen working relationships with schools and neighborhoods.

No. 4—Develop on-site after-school activities for elementary and middle school youth.

No. 11—Create a community safety net of various youth service providers.

No. 18—Provide a sense of place and belonging for adolescents and young adults.

While recommendations for recreation and athletic facilities were included in the Recreation Plan, these recommendations will not be addressed as part of the Commission's discussion regarding the draft Recreation Cost-Recovery Policy.

### Target Markets

As part of the review of the draft Recreation Plan, the Commission and City Council agreed that the Plan should identify a priority of service among several different target groups. Listed in order of priority from "high" to "low" Recreation services and programs should serve:

- Middle school-aged youth.
- Elementary school-aged youth.
- High school-aged youth.
- Seniors.
- Families.
- Preschool-aged youth.
- Adults

### HERITAGE TREE FEES

Staff currently processes 400 to 500 Heritage Tree Removal Applications annually. The time required to process an application varies depending on the number of trees, location and reason for removal. The City does not currently charge an application fee. Implementation of a new fee of \$95 would recover the average amount of staff time required to process an application. The City currently processes three to eight appeals each year, with a similar number resolved informally. The current appeal fee is \$15. It is recommended the fee be increased to \$300 in order to recover the average amount of staff time to process an appeal. Staff time required to process an application is approximately 2 to 2-1/2 hours and the time to process an appeal is between 5 to 7-1/2 hours.

The range of application fees charged in neighboring cities is between \$50 to \$226 and the range of fees charged for an appeal is \$15 to \$100. Attachment 3 provides more detail regarding the staff time required for each service and the possible positive and negative outcomes of assessing new and/or higher fees for these services.


### CONCLUSION


Staff requests feedback from the Commission regarding the categorization of programs and services proposed within the Draft Recreation Cost-Recovery Policy in light of the outcomes, key recommendations and target markets outlined in the Recreation Plan. Staff also requests the Commission provide input/comment on the proposed fees for Heritage tree applications and appeals and the questions posed by Council at the April 6, 2010 Council Study Session.

### NEXT STEPS

Based on feedback received during the discussion, staff will forward comments from the Commission to the Council as part of the May 4, 2010 budget Study Session.

Prepared by:


  
Regina Maurantonio  
Recreation Manager

  
Rochelle M. Kiner  
Senior Administrative Analyst (Acting)

RM-RMK/7/ESD  
040-04-14-10M-E^

Approved by:

  
David A. Muela  
Community Services Director

  
Nadine P. Levin  
Assistant City Manager

- Attachments:
1. Recreation Cost-Recovery Proposal
  2. Draft Recreation Cost-Recovery Policy
  3. Heritage Tree Administrative Costs and Application Filing Fee
  4. Executive Summary of the Recreation Plan

**RECOMMENDED RECREATION FEES, COST RECOVERY TARGETS AND PROJECTED ADDITIONAL REVENUE**

<u>Activity/Service</u>	<u>Current Fee</u>	<u>Recommended Fee</u>	<u>Implementation</u>	<u>Targeted Recovery of Direct Costs</u>	<u>Projected Recovery of Direct Costs</u>	<u>2010-11 Projected Additional Revenue</u>	<u>Comparable Range (1)</u>
<b><u>Level 1 (0%-50% of Direct Costs)</u></b>							
1 Afterschool Programs (Elementary)	No Fee	No Fee		0%	0%	\$0	\$11.25-33.60/hour 6.00/day 20.00-400.00/month
2 Afterschool Programs (Teen) Note: Third party contributes \$10,000 annually	No Fee	No Fee		0%	0%	0	10.00-33.60/hour 1.00/day Teen Center or drop in
<b><u>Aquatics:</u></b>							
3 Aquatic Fitness- Senior Res	1.00/class (55 min class)	3.00/class (R) (2) 4.00/class (NR) 5.00/class (R) (2) (55 min class)	January '11  January '12	45%	26% (A)	780	3.00-6.00/class (45-60 min)
4 Aquacize - Senior Res	1.00/class (55 min class)	3.00/class (R) (2) 4.00/class (NR) 5.00/class (R) (2) (55 min class)	January '11  January '12			1,560	6.00/class (45-60 min)
5 Lap Swim: Lap Swim Pass (Sr Res)	15.00/25 swims (0.60/swim)	45.00/25 swims (R) (2) (1.80/swim) 56.00/25 swims (NR) 75.00/25 swims (R) (2) (3.00/swim)	January '11  January '12	30%	53% (B)	0	1.50-3.50/swim
6 Lap Swim Pass (Sr Non-Res)	26.25/25 swims 1.05/swim	Eliminate - Senior NR will pay NR rate.		100%		0	3.60-5.00/swim +30.00/year (NR Sr)

(A) The projected cost recovery of 26% is for the entire Aquatic Fitness/Aquacize program. This includes senior classes categorized in Level 1 at 45% target recovery and regular classes categorized in Level 3 at 122% target recovery.

(B) The projected cost recovery of 53% is for the entire Lap Swim program. This includes senior classes categorized in Level 1 at 30% target recovery and regular classes categorized in Level 3 at 122% target recovery.

<u>Activity/Service</u>		<u>Current Fee</u>	<u>Recommended Fee</u>	<u>Implementation</u>	<u>Targeted Recovery of Direct Costs</u>	<u>Projected Recovery of Direct Costs</u>	<u>Projected Additional Revenue</u>	<u>Comparable Range (1)</u>
<b>Banners (NP/Schools):</b>								
7	Application	23.25	52.00/application	July '10	30%	30%	345	35.00/application
8	Hanging	76.00	139.00/hanging	July '10	30%	30%	1,953	372.00-732.00 flat 25.00-134.00/week (+insurance) +25% NR
<b>General Use Notification (3):</b>								
9	Schools	No Fee	No Fee		0%	0%	0	
10	Private	No Fee	62.00/application	July '10	50%	50%	1,240	1.00-2.00/person/hr 55.00-100.00/event
<b>Seniors:</b>								
11	Senior Classes	No Fee	No Fee		0%	0%	0	No comparables
12	Senior Dances	4.00/5.00	4.00/5.00		25%	25%	0	
13	Senior Garden (Res only)	11.75/plot/year	42.00/plot/year	July '10	20%	20%	1,845	
14	Senior Social Services	No Fee	No Fee		0%	0%	0	
<b>Teens:</b>								
15	The House (Teen Center)	No fee	No Fee		0%		0	5.00-10.00/year
16	Teen Dances	3.00 Member 5.00 Advance 8.00 @ Door	3.00 Member 5.00 Advance 8.00 @ Door		5%	2%	0	5.00
17	Teen Open Gym	No Fee	No Fee		0%	0%	0	No comparables
18	Volunteer Services	No Fee	No Fee		0%	0%	0	No comparables

<u>Activity/Service</u>		<u>Current Fee</u>	<u>Recommended Fee</u>	<u>Implementation</u>	<u>Targeted Recovery of Direct Costs</u>	<u>Projected Recovery of Direct Costs</u>	<u>Projected Additional Revenue</u>	<u>Comparable Range (1)</u>
<b><u>Level 2 (50%-100% of Direct Costs)</u></b>								
<b>Aquatics:</b>								
Recreation Swim:					50%	40%	(4)	8,782
Recreation Swim Day Pass								
19	Child (Res)	1.50	3.00	June '11				1.50-4.00
20	Child (Non-Res)	3.25	4.00	June '11				2.00-6.00
21	Adult (Res)	3.25	4.00	June '11				2.00-4.00
22	Adult (Non-Res)	4.25	5.00	June '11				2.00-6.00
23	Family (Res)	6.25	10.00	June '11				2.00 or Individual Rate
24	Family (Non-Res)	15.25	18.00	June '11				Individual Rate
25	Spectator	1.50	3.00	June '11				2.00-5.00 or swimmer rate
Recreation Swim Season Pass								
26	Child (Res)	40.75 (0.58¢/day)	66.00 (.94¢/day)	June '11				30.00-175.00 (.44¢-1.47/day) or 2.00-6.00 day pass rate +30%-50% NR
27	Adult (Res)	52.25 (0.75¢/day)	88.00 (1.26/day)	June '11				30.00-196.00 (.44¢-2.80/day) or 2.00-6.00 day pass rate +30%-50% NR
28	Family (Res)	75.75 (1.08/day)	150.00 (2.14¢/day)	June '11				88.00-200.00 (1.26-2.94/day) or individual day pass rate +30%-50% NR

Note: No non-resident recreation swim season passes available for CMV pools.

<u>Activity/Service</u>		<u>Current Fee</u>	<u>Recommended Fee</u>	<u>Implementation</u>	<u>Targeted Recovery of Direct Costs</u>	<u>Projected Recovery of Direct Costs</u>	<u>Projected Additional Revenue</u>	<u>Comparable Range (1)</u>
29	<b>Athletic Field Rental - YSO &amp; NP</b>	1.00/hour	2.00/hour	July '10	70%	70%	20,000	1.00-20.00/hour (Res) 22.00-66.00/hour (NR)
30	<b>Plaza Use Application</b>	76.00/ application	131.00/ application (R)	July '10	75%	75%	165	
31	<b>Special Event Application</b> (K-14 events NP providing services to CMV Res)	76.00/ application	131.00/ application (R)	July '10	75%	75%	605	100.00-250.00

<u>Activity/Service</u>	<u>Current Fee</u>	<u>Recommended Fee</u>	<u>Implementation</u>	<u>Targeted Recovery of Direct Costs</u>	<u>Projected Recovery of Direct Costs</u>	<u>Projected Additional Revenue</u>	<u>Comparable Range (1)</u>
<b><u>Level 3 (80%-122% of Direct Costs)</u></b>							
<b>Adult Sports:</b>				100%	49% (4)		
32 Basketball (plus (D) and (E))	57.75/game	65.00/game	September '11			1,015	45.00-73.00/game +35.00/game (ref)
33 Flag Football (plus (D) and (E))	57.75/game	65.00/game	May '11			508	No programs offered
34 Coed Softball (plus (D), (E) and (F))	52.25/game	67.00/game	February '11			3,614	45.00-81.33/game
35 Mens Softball (plus (D), (E) and (F))	57.75/game	67.00/game	February '11			2,266	45.00-81.00/game
36 Volleyball (plus (D) and (E))	34.75/game	48.00/game	September '10			928	40.00-50.00/game
37 Non Resident Player	12.50/player	12.50/player (5)	September '10			0	10.00/player/ season or 0%-13%
38 (D) SANCRA Enrollment- all sports (3)	No Fee	.50¢/game/team	September '10			385	No comparables
39 (E) Quick Score - all sports (3)	No Fee	.60¢/game/team	September '10			462	No comparables
40 (F) ASA Enrollment (coed/mens softball only) (3)	No Fee	1.50/game/team	September '10			735	60.00/team
41 Forfeit	34.75/game	40.00/forfeit	September '10			0	20.00-60.00/game
<b>Aquatics</b>							
Aquacize/Water Aerobics:				122%	26% (A)(4)		NR +14%-66%/class or +30.00 annual
42 Aquatic Fitness- Adults	3.00/class (55 min class)	5.00/class (R) (2) 6.00/class (NR) 8.00/class (R) (2) (55 min class)	January '11  January '12			780	2.75-8.63/class
43 Aquacize-Adults	3.25/class (55 min class)	5.00/class (R) (2) 6.00/class (NR) 8.00/class (R) (2) (55 min class)	January '11  January '12			1,365	6.00/class

(A) The projected cost recovery of 26% is for the entire Aquatic Fitness/Aquacize program. This includes senior classes categorized in Level 1 at 45% target recovery and regular classes categorized in Level 3 at 122% target recovery.

<u>Activity/Service</u>		<u>Current Fee</u>	<u>Recommended Fee</u>	<u>Implementation</u>	<u>Targeted Recovery of Direct Costs</u>	<u>Projected Recovery of Direct Costs</u>	<u>Projected Additional Revenue</u>	<u>Comparable Range (1)</u>
44	Group Swim Lessons: Youth & Adult (Res)	4.00/30 minutes	7.00/30 minutes	June '11	122%	122%	52,376	5.30-9.22/30 min (Y) 5.30-12.50/30 min (A)
45	Youth & Adult (NR)	5.39/30 minutes	8.75/30 minutes	June '11				6.80-9.88/30 min (Y) 6.80-12.50/30 min (A)
46	Lap Swim Day Pass (R)	3.00	5.00	September '10	122%	53% (B)(4)	47,902	2.50-5.50
47	Day Pass (NR)	4.00	6.00	September '10				2.50-5.00 +30.00 annual
48	Pass (R)	52.50/25 swims (2.10/swim)	87.50/25 swims (3.50/swim)	September '10				2.50-3.50/swim
49	Pass (NR)	63.75/25 swims (2.55/swim)	109.00/25 swims (4.36/swim)	September '10				2.50-5.00/swim +30.00 annual
(B) The projected cost recovery of 53% is for the entire Lap Swim program. This includes senior classes categorized in Level 1 at 30% target recovery and regular classes categorized in Level 3 at 122% target recovery.								
50	Los Altos Mountain View Aquatic Club (3) (LAMVAC)	No Fee	25.00/hour (2) 50.00/hour (2) 76.00/hour (2)	September '10 September '11 September '12	122%	39%	16,250	No comparable program offered
51	Masters Swimming (Res)	17.50/month (Res)	43.00/month	September '10	122%	111%	35,350	45.00-60.00/month +40.00 annual
52	Masters Swimming (NR)	29.00/month (Non-Res)	54.00/Month	September '10				45.00-50.00/month +40.00 annual (+7.4%)
53	Pool Rental	57.75/hour + lifeguards	125.00/hour (R) 156.00/hour (NR)	July '10	122%	41% (4)	673	20.00-180.00/hour +20%-100% NR
54	Lifeguards	17.50/hour	20.00/hour (R) 25.00/hour (NR)	July '10	122%	122%	50	15.00-17.00/hour
55	Red Cross Training for Lifeguards (Res) (Participants hired by CMV as a Lifeguard are reimbursed the cost of the class after 60 days of work.)	184.00/36 hours (5.11/hour)	229.00/36 hours (6.36/hour)	September '10	100%	85% (4)	1,350	175.00-256.00/ 36 hours (4.86-7.11/hour)
56	Red Cross Training for Lifeguards (Non-Res) (Participants hired by CMV as a Lifeguard are reimbursed the cost of the class after 60 days of work.)	196.00/36 hours (5.44/hour)	286.00/36 hours (7.95/hour)	September '10			900	180.00-286.00/ 36 hours (5.00-7.95/hour)

<u>Activity/Service</u>	<u>Current Fee</u>	<u>Recommended Fee</u>	<u>Implementation</u>	<u>Targeted Recovery of Direct Costs</u>	<u>Projected Recovery of Direct Costs</u>	<u>Projected Additional Revenue</u>	<u>Comparable Range (1)</u>
<b>Athletic Field Rental (Non YSO):</b>				100%		(C)	
57 Synthetic Field	57.75/hour (Graham)	70.00/hour (R) 88.00/hour (NR)	July '10				10.00-60.00/hour (Res NP) 10.00-90.00/hour (Res) 28.00-130.00/hour (NR)
58 Field - lights	57.75.00/hour (McKelvey, Crittenden)	70.00/hour (R) 88.00/hour (NR)	July '10				10.00-95.00 (Res NP) 10.00-95.00/hour (Res) 28.00-170.00/hour (NR)
59 Field - no lights	29.00/hour (McKelvey, Crittenden)	35.00/hour (R) 44.00/hour (NR)	July '10				7.50-75.00/hour (Res NP) 7.50-75.00/hour (Res) 10.00-150.00/hour (NR)
60 Other Fields	37.00/day	25.00/hour (R) 31.00/hour (NR)	July '10				7.50-75.00/hour (Res NP) 7.50-75.00/hour (Res) 10.00-150.00/hour (NR)
61 Application (3)	No Fee	25.00 (R)	July '10			1,250	No comparables
(C) Amount of projected cost recovery and projected revenue for athletic field rental is unknown as the City has not had available field space to rent.							
62 Community Garden	40.75/plot/yr (Willowgate)	88.00/plot/year (2) 135.00/plot/year (2)	November '10 November '11	122%	80%	3,979	\$10-\$30 (R) \$45 (NR)

<u>Activity/Service</u>		<u>Current Fee</u>	<u>Recommended Fee</u>	<u>Implementation</u>	<u>Targeted Recovery of Direct Costs</u>	<u>Projected Recovery of Direct Costs</u>	<u>Projected Additional Revenue</u>	<u>Comparable Range (1)</u>
<b>Deer Hollow Farm:</b>								
Summer Camps					122%	122%		Day Camp (1 night): 405.00-430.00/week (11.33-12.02/hour)
63	Resident	122.00/week (3.22/hour)	289.00/week (7.65/hour)	June '11			53,440	
64	SCC and MROSD Resident	156.00/week (4.13/hour)	332.00/week (8.78/hour)	June '11			6,336	Overnight Camp: (4 nights) 550.00/week (10.83/hour)
65	SCC or MROSD Resident	192.00/week (5.08/hour)	347.00/week (9.18/hour)	June '11			5,580	
66	All Others	227.00/week (6.01/hour)	361.00/week (9.55/hour)	June '11			1,072	(11 nights) 1,005.00/week (3.80/hour)
67	Elementary Camps (6)	2.50/hour	5.87/hour (R) 7.34/hour (NR)	June '11	100%	80%	61,048	2.65-12.75/hour +3%-30% NR
<b>Facility Rental:</b>								
68	BBQ-Family (Res only)	5.00/table	15.00/table	June '11	122%	21% (4)	2,135	10.00-15.00 +50%-66% NR +10.00 application
69	BBQ Groups (Res only)	51.00/section	103.00/section	June '11	122%	107%	28,158	30.00-197.00/day +25.00 electricity +25%-77% NR

<u>Activity/Service</u>		<u>Current Fee</u>	<u>Recommended Fee</u>	<u>Implementation</u>	<u>Targeted Recovery of Direct Costs</u>	<u>Projected Recovery of Direct Costs</u>	<u>Projected Additional Revenue</u>	<u>Comparable Range (1)</u>
<b>Gym Rentals (MVSP and WSC):</b>					122%	110%		
70	Auxiliary Room	52.25-57.75/hour	101.00/hour (R) 126.00/hour (NR)	August '10			17,833	25.00-75.00/hr NP 40.00-300.00/hour
71	Full Court - (Res (7) /NP)	69.75/hour	111.00/hour (R) 139.00/hour (NR)	August '10			28,309	25.00-75.00/hr NP 40.00-134.00/hr R
72	Full Court - (NR)	82.00/hour	139.00/hour (R) 174.00/hour (NR)	August '10			0	17.00-300.00/hour
73	Half Court - (Res (7) /NP)	34.75/hour	50.00/hour (R/NP)	August '10			43,636	10.00-56.00/hr (NP) 48.00-150.00/hour (Res, NR) 67.00/hour (A Res) 48.00-150.00/hour (NR)
74	YMCA - (Youth) Recommend eliminating this fee and charging these groups at the Non Profit hourly rate.	20.00/hour	65.00/hour (2) 111.00/hour Eliminate (use NP rate)	August '10 August '11				No comparables
75	YMCA - (Adult) Recommend eliminating this fee and charging these groups at the Non Profit hourly rate.	29.00/hour	Eliminate (use NP rate)	August '10				No comparables
Open Gym:								
76	10 Visits	12.25/Pass	15.00 (R)	August '10				No comparables
77	20 Visits	24.75/Pass	30.00 (R)	August '10				No comparables
78	Drop In	2.25/Day	3.00 (R)	August '10				No comparables
79	Application (3)	No Fee	25.00 (R)	August '10	100%		5,625	15.00/hour
80	Cancellation (3):	No Fee	50.00 (R)	August '10	100%		0	Minimum Hours of Rental Period or \$250 Security

<u>Activity/Service</u>	<u>Current Fee</u>	<u>Recommended Fee</u>	<u>Implementation</u>	<u>Targeted Recovery of Direct Costs</u>	<u>Projected Recovery of Direct Costs</u>	<u>Projected Additional Revenue</u>	<u>Comparable Range (1)</u>
81 <b>Holiday Classes</b>	5.00/hour	17.00/hour (R) 21.00/hour (NR)	December '10	100%	76%	1,507	No comparables
82 <b>Off Leash Dog Permit (3)</b>	No Fee	10.00/hour (R) 13.00/hour (NR)	September '10	100%		518	No comparables
83 <b>Preschool Camps &amp; Classes</b>	7.00/hour	7.50/hour (R) 9.38/hour (NR)	January '11	100%	94%	13,825	7.52-11.00/hour Res 8 82-12.10/hour NR
84 <b>Teen Camps (5)</b>	2.50/hour	8.00/hour (R) 10.00/hour (NR)	January '11	80%	52%	15,688	4.32-24.33/hour +8%-20% NR
Projected Revenue Summary:							
Level 1						\$7,723	
Level 2						29,552	
Level 3						456,847	
Transaction Fee (on-line)	No Fee	1.0% - 3.0%	July '10			<u>15,000</u>	
Total Projected Additional Revenue						509,122	
Budget Contingency Reserve Backfill						<u>128,100</u>	
						\$637,222	

(1) Comparables of the surveyed city's that assess a fee.

(2) Fee recommended to be phased

(3) New Fee

(4) As referenced in the Recreation Cost Recovery report and recommended policy some fees are not set to recover the target cost recovery rate due to market rate constraints.

(5) For April 6 study session this was recommended at \$10.00/player.

(6) Includes field trip admission fees.

(7) Resident Individual and Resident Business.

# FEE SCHEDULE—COMMUNITY SERVICES DEPARTMENT

State Code § (if any)	MVCC §§	Title of Fee	Current Fee	Recommended Fee	Fee Basis	Effective Date
	§ 38.101	<u><b>Center for the Performing Arts</b></u> Nonprofit Rental Fees Percentage of Gross Ticket Sales (All Stages)	Dependent on the type of renter and the current percent- age paid by each renter.	Dependent on the type of renter and the current percent- age paid by each renter.	Percentage (5% to 20%)	7/1/10
		Performance Fee Base Rate (MainStage) Weekend (Ticketed Performance)	\$1,050.00	\$1,500.00	Event	7/1/10
		Weekend (Nonticketed Performance)	\$1,650.00	\$2,100.00	Event	7/1/10
		Weekday (Ticketed Performance)	\$750.00	\$1,200.00	Event	7/1/10
		Weekday (Nonticketed Performance)	\$1,350.00	\$1,800.00	Event	7/1/10
		Transaction (On-Line)	\$3.00	\$5.00	Order	7/1/10
		Ticket Purchase (On-Line) <sup>(1)</sup>	No Fee	\$0.50	Ticket	7/1/10
		Ticket Purchase (Box Office Phone)	\$2.00	\$2.50	Ticket	7/1/10
		Renter Sold Tickets	\$0.50	\$1.00	Ticket	7/1/10

# FEE SCHEDULE—COMMUNITY SERVICES DEPARTMENT

State Code § (if any)	MVCC §§	Title of Fee	Current Fee	Recommended Fee	Fee Basis	Effective Date
		<u>Forestry:</u> Heritage Tree Application <sup>(1)</sup>	No Fee	\$116.00	Application	7/1/10
		Heritage Tree Appeal	\$15.00	\$50.00	Appeal	7/1/10

FEE SCHEDULE—PUBLIC WORKS DEPARTMENT

State Code § (if any)	MVCC §§	Title of Fee	Current Fee	Recommended Fee	Fee Basis	Effective Date
§ 66499.35		Certificate of Compliance	\$542.00	\$700.00	Fixed	8/8/10
	§ 27.17	Encroachment Permit:				
		Debris Box	\$89.00	\$114.00	Fixed	8/8/10
		Nonresidential	\$1,525.00	\$1,955.00	Fixed	8/8/10
		Residential	\$834.00	\$1,069.00	Fixed	8/8/10
		Temporary	\$658.00	\$840.00	Fixed	8/8/10
	§ 27.43	Excavation Permit (all types)	\$115.00 or 15% of construction cost	\$211.00 or 15% of construction cost	Hour (3 hour min.) or Percent	8/8/10
	§ 27.43	Hourly Labor Rate (Research, Plan Check, Inspection) <sup>(2)</sup>	\$115.00	\$119.00	Hour (2 hour min.)	8/8/10
§ 66412		Lot Line Adjustment	\$1,759.00	\$2,259.00	Fixed	8/8/10
§ 66451.2	§ 28.27(b)	Map Check: Final Map	\$3,742.00 plus \$10.00	\$4,717.00 plus \$12.00	First 2 lots Each add'l. lot	8/8/10
	§ 28.19(b)	Parcel Map	\$2,245.00	\$2,795.00	Fixed	8/8/10

# FEE SCHEDULE—PUBLIC WORKS DEPARTMENT

State Code § (if any)	MVCC §§	Title of Fee	Current Fee	Recommended Fee	Fee Basis	Effective Date
§ 8300 <i>et seq.</i>	§ 27.18	Right-of-Way Vacation	\$1,194.00	\$1,534.00	Fixed	8/8/10
§ 8740.1	§ 28.6.1	Segregation of Assessment Districts	\$1,746.00 plus \$155.00	\$2,241.00 plus \$211.00	First 2 lots Each add'l. lot	8/8/10
	§27.23	Sidewalk Permit: Residential	\$2.56 (\$128.00 min.)	\$3.36 (\$168.00 min.)	Linear Foot	8/8/10
		Nonresidential	\$226.00 +5.0% of Construction Cost	\$291.00 +5.0% of Construction Cost	Fixed + Percentage	8/8/10
	27.65(c)	Street Improvements Reimbursement: <sup>(2)</sup>				
		Major Structural Street Section	\$9.24	\$9.18	Square Foot	8/8/10
		R1 and R2 Street Section	\$7.41	\$7.37	Square Foot	8/8/10
		R3 Structural Street Section	\$8.43	\$8.38	Square Foot	8/8/10
		Standard and Ornamental Street Lighting	\$23.30	\$23.16	Linear Foot	8/8/10
		Standard PCC Curb and Gutter	\$27.11	\$26.95	Linear Foot	8/8/10
		Standard PCC Driveway Approach	\$9.24	\$9.18	Square Foot	8/8/10
		Standard PCC Sidewalk	\$8.43	\$8.38	Square Foot	8/8/10
		Street Trees (15 gallon)	\$10.42	\$10.38	Linear Foot	8/8/10

FEE SCHEDULE—COMMUNITY DEVELOPMENT DEPARTMENT

State Code § (if any)	MVCC §§	Title of Fee	Current Fee	Recommended Fee	Fee Basis	Effective Date
	§36.100.050 (a)	Sidewalk Café Application	\$498.00	\$747.00	Fixed	7/1/10
	§A36.80.030	Conditional Use Permits (CUP):				
		Child-Care Center	\$135.00	\$1,827.00	Fixed	7/1/10
		Family Child-Care Center	\$71.00	\$200.00	Fixed	7/1/10
		New	\$1,929.00	\$3,858.00	Fixed	7/1/10
	§A36.80.030	Design Review (DRC):				
		<2,000 Square Feet	\$667.00	\$1,158.00	Fixed	7/1/10
		>2,000 Square Feet				
		Housing <2 Acres	\$1,736.00	\$2,315.00	Fixed	7/1/10
		Child-Care Centers	\$75.00	\$1,736.00	Fixed	7/1/10
		Major Floor Area Ratio (FAR)	\$2,772.00	\$5,544.00	Fixed	7/1/10
		Exception in R1 Districts				
		Structures on New Standard	\$2,981.00	\$5,926.00	Fixed	7/1/10
		Subdivisions of $\geq 5$ Lots				
	§28.10	Maps:				
		Parcel Map—				
		Housing <2 Acres	\$1,459.00	\$1,947.00	Fixed	7/1/10
	§28.15	Tentative Map—				
		Housing <2 Acres	\$2,174.00	\$2,889.00	Fixed	7/1/10

FEE SCHEDULE—COMMUNITY DEVELOPMENT DEPARTMENT

State Code § (if any)	MVCC §§	Title of Fee	Current Fee	Recommended Fee	Fee Basis	Effective Date
	§A36.80.030	Planned Community Permit (PCP): New Construction (ZA Review) Housing <2 Acres	\$2,684.00	\$3,578.00	Fixed	7/1/10
		New Construction (ZA, CC Review) Housing <2 Acres	\$5,314.00	\$7,085.00	Fixed	7/1/10
	§A36.80.030	Planned Unit Development (PUD): New Construction (ZA Review) Housing <2 Acres	\$3,425.00	\$4,559.00	Fixed	7/1/10
		New Construction (ZA, CC Review) Housing <2 Acres	\$4,682.00	\$6,246.00	Fixed	7/1/10
	§A36.80	Signs: New Sign Program	\$245.00 \$245.00	\$368.00 \$579.00	Fixed Fixed	7/1/10 7/1/10
	§A36.80.030	Temporary Use Permit (TUP)	\$245.00	\$368.00	Fixed	7/1/10
	§A36.80.030	Transit-Oriented Development (TOD): New Construction (ZA, CC Review) Housing <2 Acres	\$5,736.00	\$7,647.00	Fixed	7/1/10

FEE SCHEDULE—COMMUNITY DEVELOPMENT DEPARTMENT

State Code § (if any)	MVCC §§	Title of Fee	Current Fee	Recommended Fee	Fee Basis	Effective Date
	§A36.80.030	Variance: R1/R2	\$1,224.00	\$2,457.00	Fixed	7/1/10

# FEE SCHEDULE—LIBRARY SERVICES DEPARTMENT

State Code § (if any)	MVCC §§	Title of Fee	Current Fee	Recommended Fee	Fee Basis	Effective Date
		Facility Rental:				
		Community Room	\$25.00	\$50.00	<4 Hours	7/1/10
			\$50.00	\$100.00	>4 Hours	7/1/10
		Monarch Room/Swallowtail Room <sup>(3)</sup>	\$10.00	\$15.00	<4 Hours	7/1/10
			\$20.00	\$25.00	>4 Hours	7/1/10

# FEE SCHEDULE—POLICE DEPARTMENT

State Code § (if any)	MVCC §§	Title of Fee	Current Fee	Recommended Fee	Fee Basis	Effective Date
		Alarms:				
	40.5c	Annual Permit—Residential	\$16.50	\$20.00	Annual	7/1/10
	40.5c	Annual Permit—Commercial	\$63.00	\$80.00	Annual	7/1/10
	40.17b	First Response	No Charge	No Charge		7/1/10
	40.17b	Second Response	\$82.00	\$100.00	Within the prior 12-month period	7/1/10
	40.17b	Third Response	\$110.00	\$150.00	Within the prior 12-month period	7/1/10
	40.17b	Fourth Response	\$220.00	\$250.00	Within the prior 12-month period	7/1/10
	40.17b	Fifth Response and Over	\$330.00	\$500.00	Within the prior 12-month period	7/1/10
		Clearance Letter	\$12.00	\$40.00	Fixed	7/1/10
		Citation Sign-Off:				
		MVPD/MV Resident	No Charge	No Charge		7/1/10
		Non-MVPD/MV Resident	\$8.00	No Charge	Fixed	7/1/10
		MVPD/MV Nonresident	\$12.00	\$25.00	Fixed	7/1/10
		Non-MVPD/MV Nonresident	\$12.00	\$25.00	Fixed	7/1/10
CVC 22850.5		Vehicle Release: Stored/Impound	\$75.00	\$150.00	Fixed	7/1/10

<sup>(1)</sup> New fee.

<sup>(2)</sup> Not presented at April 6 Study Session. This fee is recommended in accordance with annual practice of reviewing fees and modifying with CPI, COLA or ENR.

<sup>(1)</sup> Recommended to include the Swallowtail Room in this rental price range.

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**POTENTIAL SHORELINE REGIONAL PARK PARKING FEE  
FEASIBILITY STUDY: INITIAL SCOPE OF WORK, TIME LINE AND COST**

**INTRODUCTION**

At the April 6, 2010 Budget Workshop, the City Council requested staff to develop a proposed work plan to implement a pilot parking fee at Shoreline Regional Park. This report responds to that request; identifying the policy questions and scope of work to set the foundation for a pilot project. A preliminary work plan time line and work plan budget are projected; subject to revision as the parking fee concept is refined.

The work plan outlined in this report was prepared in a very short time frame and should be viewed as a preliminary scan of questions and topics to consider if the Council authorizes further development of a pilot parking fee program. As noted in the April 1, 2010 briefing memorandum from the Assistant City Manager entitled, "POTENTIAL TO ESTABLISH AN ENTRANCE/PARKING FEE AT SHORELINE REGIONAL PARK," the physical layout of the park, the variety of recreational opportunities and the diverse businesses in the park set forth an array of challenges and opportunities to consider in moving forward with a parking fee program. Attachment 1 is a copy of the April 1, 2010 memorandum.

**THE PILOT CONCEPT AS DEVELOPED TO DATE**

Based on the preliminary City Council conversation on April 6, the concept is to potentially initiate a pilot parking fee as opposed to a use fee. Some members of the City Council are also interested in establishing a partial reimbursement or "voucher" system to refund a portion of the parking fee if the visitor patronizes one of the Shoreline Regional Park businesses.

This concept will need to be further developed as part of the feasibility study. At this very conceptual stage, the voucher concept means that people who patronize the park for a round of golf or business meeting at Michaels at Shoreline would have their parking fee reduced while the "more casual" park user planning to take a walk in the park, visit the Rengstorff House garden or bring their children to play on the sailing scow would not be eligible for a rebate unless they make a purchase from one of the businesses. In addition, the parking fee/voucher concept will have to consider logistics for parents and patrons driving to the park to drop off and pick up their children attending classes at the Sailing Lake. Other questions to consider are whether or not to establish a discounted "season pass" program for frequent park users and whether or not there should be subsidized parking fees for senior patrons.

## OVERVIEW OF THE WORK PLAN AND TOPICS TO BE ADDRESSED

This section summarizes some of the major topics and policy themes that should be examined in development of a pilot program. In developing the work plan, it became clear that much of the work is needed, whether the end product is a pilot program or a permanent program. Attachment 2 is a very preliminary work plan that bundles these topics and others into sequential "phases" to indicate which items can be worked on concurrently, assuming there are sufficient staff resources and funding for the required specialized parking, traffic engineering and economic expertise.

### Institutional Considerations

Historical agreements between the City of Mountain View and the County of Santa Clara stipulate that the County Board of Supervisors must approve the establishment of entrance or parking fees at Shoreline Regional Park. As noted in the April memorandum, "the City would need to seek approval from the County to establish an entrance or parking fee and there could not be a difference in the fee charged to Mountain View residents and other residents of the County."

The process for seeking this approval and how long approval might take will have to be discussed with Santa Clara County. When and how to approach the County and how developed the parking fee proposal and revenue projections should be before approaching the County are topics the City Council will need to consider at a future time. The City Council also needs to determine if the parking study should be initiated before or after the Board of Supervisors acts on the City's request.

### Parking Fee Implementation Plan

As noted in the April 1, 2010 memorandum, "Shoreline Regional Park has several points of pedestrian access and one vehicular point of entry. The majority of visitors enter the Park through the main entrance on Shoreline Boulevard; however, many also enter via pedestrian access points and may be inclined to park outside the park to avoid a parking fee." The parking program for Shoreline Regional Park should be designed as an integrated plan that addresses parking system technology, the voucher system logistics, parking payment/ticket locations, vehicle stacking capacity, traffic flow considerations, capital installation costs, operating and maintenance, staffing requirements and mitigates potential unintended consequences. The plan should also distinguish the investment required for a pilot program from the investment required for a permanent program.

One of the more strategic considerations is to identify the most efficient location(s) for the parking controls. A single point of parking control could be located at the Gatehouse but, depending on all factors, parking control may be better placed at the

various parking areas throughout the park. Whether parking control is at a single point or multiple points, the impact to traffic flow and vehicle stacking should be analyzed.

There are many types of parking ticket/payment systems on the market (such as fully automated, manual, meters, pay at gate, honor system or pay on foot). The ideal system for Shoreline Regional Park will depend on a number of factors, including how the voucher/validation system will work. Would the parking ticket voucher reimbursements occur at the "point of sale" and, if so, how would the reimbursement process flow between the City and park businesses? Would a parking ticket be validated at the point of sale with the reimbursement occurring at the park exit? Are there fully automated validation systems that would not be labor-intensive?

Finally, the area-wide parking impact of a fee needs to be considered. With the multiple pedestrian entrance points to Shoreline Regional Park, it is reasonable to expect patrons wishing to avoid the fee will park on adjacent streets and perhaps in the Amphitheatre and private parking lots in the Shoreline vicinity. These "unintended consequences" should be anticipated and conditions should be monitored before and after a pilot program is implemented.

#### Pricing, Demand, Revenue and Park Business Considerations

The April 1, 2010 memorandum raised the concern about whether or not the imposition of a parking fee, with or without validation, would be perceived as an inconvenience negatively affecting businesses in the park and overall park attendance. Representatives of some of the park businesses expressed similar concerns at the April Budget Workshop. The April 1, 2010 memorandum noted, "... assumptions regarding potential revenue, the number of vehicles entering the park and the number that will secure a parking validation from one of the businesses make it impossible to predict the outcome with a high level of confidence or accuracy" and recommended that a parking expert/economist review assumptions, recommend pricing structures and develop more informed revenue projections. It will be important to obtain an objective evaluation of how such a system could impact the economic viability of the existing business and golf course.

In setting the fee, the Council will need to consider the "break point" where the fee will be perceived as too high or inconvenient by potential patrons who will choose not to visit the park or patronize its businesses. Whether or not to recover capital costs and operating costs of the parking fee program from fee proceeds will also need to be evaluated.

## Enforcement

Currently, the park rangers at Shoreline do not issue tickets. If the pilot project is implemented, the level of appropriate enforcement and assignment of enforcement authority will need to be determined.

## Stakeholder Engagement

People visit Shoreline Regional Park for a wide array of purposes ranging from bird watching, walking, sailing, golf, weddings, business meetings and more. Some are casual visitors and others visit the park and its businesses with great frequency. In addition to the two leases (Michaels and the Boathouse), there are many organized groups such as the Audubon Society, groups and clubs associated with the golf course, and civic and professional organizations that meet at Michaels and the Boathouse that are stakeholders to this topic. As is the case with recreation and other potential fees, these individuals and groups should have an opportunity to review and comment on the final proposals. Live Nation should also be included as there may be impacts to Parking Lot E which by contract is used for concert parking.

## Pilot Program Duration and Review and Assessment

As a pilot program is implemented, it will be important to develop the criteria by which it will be evaluated and its success or failure measured. The duration of the test period must also be determined, although a one-year test would be the minimum needed to see how park patronage is affected over the seasonal cycles.

## **BUDGET AND TIME FRAME**

Because of the operating complexities of Shoreline Regional Park, the City will need the services of a professional parking consultant to design the appropriate parking and voucher system for the park. A professional parking firm can also help the City evaluate whether the parking program should be operated in-house by the City or contracted to a private parking firm and may also have the expertise to address questions regarding pricing and other economic considerations. Based on preliminary discussions with a firm that provides these services, the planning study phase will take approximately 12 to 14 months from City Council approval of the project budget to the City Council decision regarding whether or not to proceed with the pilot program. The cost of the implementation plan will be approximately \$85,000, including City staffing and administration costs.

Once a pilot program is approved by the City Council, the next steps will be to procure and install the required equipment and infrastructure, develop and implement appropriate financial protocols (including voucher reimbursement), assure appropriate staffing or hire a parking management firm and adopt appropriate ordinances to estab-

lish the fee. Until the program is better developed, it is difficult to project an accurate implementation time line.

### **CONCLUSION AND NEXT STEPS**

While there are a growing number of local examples of parking fees at County and municipal parks, the establishment of a pilot parking fee program at Shoreline Regional Park requires careful planning and analysis to protect the vitality of the golf course and other businesses in the park, preserve attendance, avoid spillover consequences outside the park boundary and minimize capital investment and operation and maintenance costs. The plan will require outreach to stakeholders to understand opportunities and concerns regarding the establishment of a pilot fee program. Finally, the ability to establish a program is contingent upon approval of the Santa Clara County Board of Supervisors and the time frame for such approval and outcome is beyond the control of the City.

Based on this preliminary assessment, it is likely a pilot program will require a fairly long lead time and meaningful revenue could not be anticipated until the middle or end of the Fiscal Year 2011-12 budget cycle.

The next steps in the development of a pilot program, if desired, would be for the City Council to schedule a Study Session to further discuss and refine the pilot program concept and to discuss a strategy for approaching the County. Funds for the parking study project should also be appropriated in the upcoming budget, or sooner, if an earlier implementation is desired by the City Council.

CRL/2/BUD  
950-05-04-10A-E^

**CITY OF MOUNTAIN VIEW  
MEMORANDUM**

DATE: April 1, 2010

TO: City Council

FROM: Nadine P. Levin, Assistant City Manager

SUBJECT: POTENTIAL TO ESTABLISH AN ENTRANCE/PARKING FEE AT  
SHORELINE REGIONAL PARK

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**INTRODUCTION**

Council requested, at the June 23, 2009 Fiscal Year 2010-11 Budget Study Session, that staff research the potential to establish an entrance/parking fee at Shoreline Regional Park (Park). Staff presented a preliminary assessment of the topic at the September 29, 2009 Budget Study Session. At that time, staff indicated there were potential impediments and consequences to establishing a fee and that, if established, the fee could potentially raise \$1.4 million to \$2.0 million (the report clearly stated the number was based on untested assumptions). Subsequent to the September 29, 2009 report, staff has done a more complete analysis on the topic. In doing more extensive research on the potential fee, staff has explored the following subjects:

- Legal Issues
- Operational Considerations
- Financial Projections

The remainder of this memorandum discusses each of the factors and how they relate to assessing the potential and desirability of establishing an entrance/parking fee at the Park.

**LEGAL ISSUES**

The City Attorney's Office has reviewed two legal issues related to establishing an entrance/parking fee:

1. Requirement for County authorization to establish a fee; and
2. The ability to take revenue generated from a fee into the General Operating Fund.

County authorization relates to two funding agreements with the County for the acquisition and development of the Park. In 1969, the City and Santa Clara County (County) entered into an agreement wherein the County provided the City with \$600,000 for the acquisition of 400 acres of tidelands for the park. One relevant provision of the agreement is that the "City shall not, without prior consent of County, differentiate against any person residing in the County an admission of fees that may be maintained on the basis of residence." This agreement did not contain a termination provision.

In addition to the 1969 agreement, the City entered into an agreement with the County in 1979 wherein the County agreed to provide the City with approximately \$1.2 million in reimbursement funds related to specific capital improvements at the Park. The 1979 agreement states that the City "shall not differentiate among any persons residing in this County as to the admission to the Park or obtainment of any Park use fees that may be charged on the basis of residence. No Park entrance, admittance or parking fee may be charged without the prior consent of the Board of Supervisors."

The City Attorney's Office concluded that, based on the 1969 and 1979 agreements, the City would need to seek approval from the County to establish an entrance or parking fee and there could not be a difference in the fee charged to Mountain View residents and other residents in the County.

Appropriate flow of revenue achieved from a parking fee at the Park into the General Operating Fund instead of the Shoreline Community Fund was also reviewed by the City Attorney's Office in consultation with outside legal counsel. The analysis of the Shoreline Regional Park Community Act (Act) concludes that the "off-street motor vehicle parking lots" constructed in the Park is vested in the City and are owned, maintained and operated as part of the City system. The Act does not contain any restriction regarding the parking facilities, nor does the Act specifically address revenues generated by the parking lots. Based on this analysis, the conclusion reached is that the City would be entitled to any revenues generated by the parking facilities.

This two-part legal analysis clarifies that the County would need to approve the establishment of a fee and that there can only be one rate for residents, and nonresidents would need to be treated the same without approval of the Board of Supervisors. The second analysis clarifies that if a fee is established, revenue generated from the fee can be considered General Operating Fund revenue.

## **OPERATIONAL CONSIDERATIONS**

There are several operational matters to consider in establishing an entrance/parking fee at the Park. The two main issues are putting in place an infrastructure to collect the fee and the analysis of what the establishment of a fee means to businesses, in this case Michaels at Shoreline restaurant and Silicon Shores, Inc., which operate private concessions located in the Park. Both issues were analyzed for the preparation of this report, but a caveat is necessary to note that it is not possible to make accurate predictions regarding what the full impact of establishing a practice of charging for what has been previously free will have on behavior (in terms of the number of cars entering the Park). Potential impact to the golf course would also need to be analyzed. Even with a reimbursement system or validation, the ease (or perceived ease) of patronizing the businesses could be affected.

### **Infrastructure Necessary to Collect a Fee**

Shoreline Regional Park has several points of pedestrian access and one vehicular point of entry. The majority of visitors enter the Park through the main vehicular entrance (Gatehouse entrance) on Shoreline Boulevard; however, many also enter via pedestrian access points. Staff does not believe it would be feasible or economical to monitor all access points to charge an entrance fee. Thus, staff believes that if a fee were to be assessed, it be done on vehicles entering the Park and be referred to as a parking fee rather than an entrance fee. In order to collect a parking fee, there would need to be staff at the Gatehouse to give out tickets as vehicles enter and collect fees when they leave the Park. An alternative is to install a ticket dispensing machine (with an automatic arm) upon entrance and have staff only involved in the collection of the fee upon exit.

### **Potential Impact on Businesses Located in the Park**

There are a number of amenities in the Park, including the golf course, Boathouse and Lakeside Café, Michaels at Shoreline restaurant, Rengstorff House and others. Some of the amenities are available for charge and others are free. The question staff considered is if a patron entering the Park to use the services of one of the venues located in the Park had to pay a parking fee, would they still come to the business. It is not clear how many might choose to not come to the business at all or, alternatively, could park outside the Park and walk in. One way to potentially mitigate the impact of a parking fee is to have the businesses offer a validation if a visitor makes a purchase at one of the businesses (including the golf course). Even with validation, the perceived

inconvenience could negatively impact these businesses. In addition to the unknown impact to the businesses in the Park (even with a potential validation tied to a purchase), there is a potential for other unintended consequences:

- More visitors may park their vehicles outside the Park, impacting parking for businesses located near the Park.
- Traffic into and exiting the Park may back up onto Shoreline Boulevard at times as people are stopping to secure a ticket or pay for the parking fee.
- Parking fees may negatively impact private rental of event spaces at Michaels at Shoreline restaurant, the Lakeside Café and/or the Rengstorff House.
- Visitors wanting to drop off and/or pick up visitors in the Park could be impacted.

### **FINANCIAL PROJECTIONS**

Making reasonable financial projections for a revenue stream from instituting an entrance/parking fee at the Park is complicated and very difficult. Assumptions regarding the cost to put an infrastructure in place to collect the fee and the fee to charge are fairly straightforward. What is difficult to project with any sense of accuracy is the number of vehicles that will enter the Park once a fee is established and how many of them will receive a validation by making a purchase at one of the businesses located in the Park. In attempting to analyze the potential revenue stream, staff considered the number of parking spaces in the Park and made assumptions regarding turnover in the parking spaces on average and as to the number of visitors driving into the Park to patronize a business (that would receive a parking validation in turn for making a service purchase). The results of this analysis suggest annual revenue (before expenses) in the range of \$400,000, assuming a parking fee of \$5.00 per vehicle. After taking into consideration operating expenses, the net revenues are approximately \$250,000. It needs to be emphasized that the most sensitive variable in the analysis is the number of vehicles that will still enter the Park after a fee is instituted and, of those entering, how many will secure a validation from one of the businesses located in the Park. Another potential financial impact to consider is if the fee will reduce business for the concessions in the Park and result in lower revenue to the City from these businesses.

### **CONCLUSION**

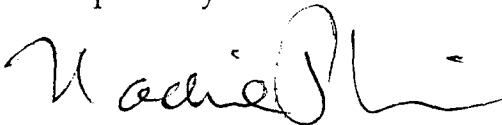
Staff presented a preliminary analysis regarding charging an entrance/parking fee at the Park to Council at the September 29, 2009 Fiscal Year 2010-11 Budget Workshop. This analysis was undertaken by staff at the request of Council to research the concept.

Staff noted in the analysis that there were potential impediments and consequences to establishing a fee and staff was asked to do more analysis. In doing further analysis, staff has looked at the related legal issues, operational considerations and financial projections. The legal analysis indicates that any revenue secured from a fee can, in fact, flow to the General Operating Fund, but the Santa Clara County Board of Supervisors would need to both approve a fee and what, if any, distinction could be made regarding the fee charged to City and non-City residents. Looking at operational considerations, there would be a need to have an employee (or contractor) to handle the fee collection. Adequate internal cash-handling controls—for example, cameras—may need to be put in place to ensure the City receives all parking fees. Additionally, the potential impact on the businesses located in the Park needs to be considered and ways to potentially mitigate the impact. One possible way is to permit the businesses to issue a parking validation with a service/product purchase. However, that may not fully avoid negative impacts on these businesses.

When considering instituting a fee, the main consideration is what will be achieved in the way of revenue from the fee. It is important to point out that the assumptions used by staff have not been tested nor had the benefit of outside input/expertise. As such, assumptions regarding potential revenue, the number of vehicles entering the Park and the number that will secure a parking validation from one of the businesses make it impossible to predict the outcome with a high level of confidence or accuracy.

However, based on the assumptions used, staff feels that the revenue stream, after expenses, could be around \$250,000 annually. If the Council is interested in continuing to pursue an entrance/parking fee at the Park, staff would recommend that a parking consultant be engaged in concert with an economic or market consultant to provide a more accurate analysis. It would appear challenging to consider such a potential fee in the context of the Fiscal Year 2010-11 budget adoption.

Prepared by:



Nadine P. Levin  
Assistant City Manager

Approved by:



Kevin C. Duggan  
City Manager

NPL/7/FIN  
546-03-26-10M-E^

# SHORELINE PARKING FEE PILOT PROJECT

## DRAFT WORK PLAN /PRELIMINARY TIMELINE TO PROJECT APPROVAL

PROJECT STAGE	RESPONSIBLE PARTY	2010										2011							
		MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG		
COUNTY APPROVAL AND PRELIMINARY WORK PHASE I:																			
Approval from the SCC Board of Supervisors	City Staff			--> Initiate but timeframe unknown															
Update Fee Survey of Surrounding Jurisdictions	City Staff																		
Identify Stakeholders	City Staff																		
Approve Project Funding	City Staff/ City Council																		
Prepare RFP	City Staff																		
Release RFP to Consultants	City Staff																		
Submission of Proposals	Prospective Firms																		
Proposal Review, Interview, Selection & Contract Negotiation	City Staff																		
Council Approval	City Council																		
Contract Execution	City Staff/Consultants																		
Consultant Prepare Draft Plan (Traffic, Economic, Parking)																			
Liaison with Shoreline Park Businesses (Ongoing)	City Staff																		
REFINE DRAFT PLAN PHASE II																			
Council Study Session to Review Draft Plan	City Staff/Consultants																		
FINALIZE PILOT PLAN PHASE III																			
Finalize Pilot Plan and Capital Requirements	City Staff																		
Determine Enforcement/Sanctions	City Staff																		
Establish Parking Fees	City Staff																		
Establish Revenue Controls	City Staff																		
Public Notification (Stakeholder/Community Meeting)	City Staff																		
Community and Stakeholder Meeting	City Staff																		
Contract Operation Out vs. In House Operation	City Council																		
City Council Decision Proceed/End Project	City Council																		

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## **CITY OF MOUNTAIN VIEW DRAFT—RECREATION COST-RECOVERY POLICY**

A Recreation Cost-Recovery Policy will allow the City of Mountain View to continue to provide high-quality programs and services to the community in a financially sustainable manner and to maximize benefits to the greatest number of residents.

### **Purpose**

The purpose of this Cost-Recovery Policy is to establish uniform guidelines, cost-recovery levels and goals for recreation programs, events, activities and services. Establishing a Cost-Recovery Policy accomplishes the following:

1. Provide a structure to calculate fees for recreation programs.
2. Establish cost-recovery levels based on the type of service, population served and the level of benefit to the community.
3. Allow Council to determine the appropriate level of cost recovery or General Operating Fund subsidy for programs and services.
4. Provide a systematic framework for tracking financial performance and identifying programs not generating the designated minimum cost recovery.

### **Cost-Recovery Principles**

The following shall serve as guidelines for categorizing Recreation programs and services based on types of programs, target populations and level of community benefit to determine appropriate subsidy levels:

- Programs that have a community-wide benefit have the lowest cost recovery.
- Programs that have the greatest level of individual or group benefit have the highest cost recovery.
- Pricing of services supports and is consistent with City policies and objectives.
- Pricing of services takes into account market rates and the impact on demand which may override cost-recovery target considerations.
- Nonresident fees are priced higher than resident fees.

- Fees will be periodically reviewed to keep pace with changes in the cost of living, market demands and/or to promote identified recreation programs.
- Staff will adjust fees to meet minimum cost-recovery rates and to be consistent with market pricing.
- The City will continue a fee waiver program to offset the cost of programs for individuals or families that meet the established requirements of financial need and ensure access for all residents.

### **Categorization of Services**

In order to maximize available resources to the greatest number of residents, the prioritization of subsidies is based on type of service, target population and level of community benefit. Programs and services are categorized into one of three levels, from those providing a community-wide benefit (Level 1) to those providing an individual or group benefit (Level 3). These categories are used to set the minimum recovery range for each benefit level and corresponding subsidy rates. The following is a description of each of the three benefit levels:

**Level 1:** (0 percent to 50 percent)—The lowest level of cost recovery is for programs and activities that provide a community-wide benefit and can be accessed by the broadest cross-section of the population. They may also be services that are provided to a targeted subgroup and/or enhances the health, safety, or livability of the community.

**Level 2:** (50 percent to 100 percent)—Mid-range cost recovery is for programs and activities that provide both a community-wide and an individual or group benefit.

**Level 3:** (80 percent to 122 percent)—The highest level of cost recovery is for programs and activities that provide benefit to the individual or group, are typically specialized and provide minimal or no benefit to the community. These may also be services that are available in the private sector.

Although the cost of services includes direct and indirect costs, the cost-recovery range and target rates are based on a percentage using direct costs only. The percentages presented are to cover both direct and all or a portion of indirect costs associated with that program. Twenty-two percent (22.0%) is the average cost of indirect expenses for Recreation programs, so a target recovery rate of 122.0 percent captures both direct and indirect expenses related to that program or service.

For the purposes of this policy, direct and indirect costs are defined as follows:

- "Direct Costs"—Costs incurred directly by the cost center/program and includes operational costs, salaries and benefits, capital outlay and vehicle maintenance.

- "Indirect Costs"—Costs include City-wide and department administrative overhead, facility overhead, utilities, capital equipment replacement reserve funding, insurance and cost of service from other departments.

The following Recreation programs and services have been categorized by Council into one of three benefit "levels" described above:

<b>Level 1 (0% to 50%)</b>	<b>Level 2 (50% to 100%)</b>	<b>Level 3 (80% to 122%)</b>
<ul style="list-style-type: none"> <li>• After-School Programs</li> <li>• City-Wide Special Events</li> <li>• Leaders in Training (LIT)</li> <li>• Senior Aquatics (resident)</li> <li>• Senior Garden</li> <li>• Summer Movies</li> <li>• Summer Concert Program</li> <li>• Teen Center</li> <li>• Teen Dances</li> <li>• Deer Hollow Farm—Classes</li> <li>• Volunteer Services</li> <li>• Banner Hanging</li> </ul>	<ul style="list-style-type: none"> <li>• Recreation Swim</li> <li>• Athletic Field Rental—YSO</li> <li>• Special Events</li> </ul>	<ul style="list-style-type: none"> <li>• Adult Sports</li> <li>• Aquacize/Aquatic Fitness</li> <li>• Group/Private Swim</li> <li>• Lap Swim</li> <li>• LAMVAC</li> <li>• Masters Swimming</li> <li>• Pool Rental</li> <li>• Red Cross Training for Lifeguards</li> <li>• Athletic Field Rental—All Other</li> <li>• Community Garden</li> <li>• Deer Hollow Farm Camps</li> <li>• Preschool Camps</li> <li>• Elementary Camps</li> <li>• Teen Camps</li> <li>• Facility Rental</li> <li>• Gym Rental</li> <li>• Special Interest Classes</li> <li>• Plaza Use Permits</li> </ul>

### **Cost-Recovery Goals**

Recreation programs and activities have been categorized into one of the three levels listed above based on the degree that activity provides a community benefit or serves an "at-risk" population. Each of the three levels has a corresponding cost-recovery range. Activities at the lower end of the range have more of a community benefit than activities at the higher end.

Activities within each program have a target cost-recovery rate that is based on: level of community benefit, market comparison, past practice and department recommendation. Each target recovery rate has a plus/minus allowance of 5.0 percent to allow for fluctuations in the market and demand and provides flexibility to Council and staff to promote programs and services that may have both community and individual benefits. Council authorizes the Community Services Director to set and adjust fees as long as cost-recovery ranges and target rates are maintained. The flexibility to set and adjust fees maximizes revenue by allowing staff to differentiate pricing in response to fluctuations in the market or demand, package programs to increase participation and/or promote new programs.

### **Ensuring Affordable Access**

The City maintains a Financial Assistance Program (FAP) that is run in partnership with the Community Services Agency of Mountain View (CSA) to ensure that qualified individuals or families receive financial assistance to participate in Recreation programs and services. The City's FAP program is only offered to Mountain View residents and ensures access to all.

### **Partnerships**

Partnerships with private and public entities are critical to enhance service levels and to keep programs and services affordable to residents. The City of Mountain View continues to cultivate relationships with volunteers, school districts and community-based organizations so that all parties can continue to provide quality services, programs and recreation.

RK/8/ESD  
040-04-13-10P^

# Attachment D

**CITY OF MOUNTAIN VIEW  
MEMORANDUM**

DATE: April 26, 2010

TO: Kevin C. Duggan, City Manager

FROM: Kevin S. Woodhouse, Assistant to the City Manager

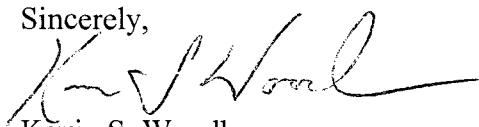
SUBJECT: United Way Silicon Valley 2-1-1 Santa Clara County Funding

United Way Silicon Valley's 2-1-1 Santa Clara County referral service is now in its fourth year of operation. The City of Mountain View has contributed \$10,000 per year (limited period funding) for four years. Initially, the City Council committed in principal to three years of funding, subject to annual review during budget deliberations. At that time, it was anticipated that the 2-1-1 funding strategy, potentially through statewide and/or national legislative efforts, might be able to supplant local government funding. United Ways across the country continue to pursue federal funding. However, at this time 2-1-1 remains largely dependent on local government funding. For Fiscal year 2010-11, UWSV is requesting \$10,500.

In 2009 the 2-1-1 call center received 824 calls from Mountain View residents, a 31% increase from 2008 and a 104% increase from 2007. Although this health and human service referral system continues to be beneficial to residents, only nine cities/towns in Santa Clara County, plus the County, continue to provide funding. Of these nine, only four plus the County have continued to fund at the requested amount. Last year Mountain View was the third largest local government funder behind San Jose and the County.

Staff recommends limited period funding of \$5,000 for FY 2010-11, acknowledging both the City's current financial challenges as well as the benefits of 2-1-1's ongoing service to Mountain View residents. Additionally, staff recommends that beginning in the FY 2011-12 budget that limited period funding cease and that 2-1-1 funding be considered alongside the funding requests of the other nonprofit agencies that compete on a two year cycle for General Operating Funds and are not Community Development Block Grant funded agencies.

Sincerely,



Kevin S. Woodhouse  
Assistant to the City Manager

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# **Attachment E**

## POTENTIAL MID-/LONG-TERM STRATEGIES

### Expenditures:

- **Containing the Growth of Enhanced/New Services:**

Until the City's fiscal condition is stabilized, the growth in, or enhancement to, General Operating Fund-supported services will need to be contained. Unless a dedicated funding source for a new or enhanced service can be implemented, the addition or enhancement of services will either result in a further reduction of other services or an increased structural deficit. While there will always be service areas that can be enhanced to better serve the community, the funding of these added or enhanced services appears unaffordable for the foreseeable future.

- **Containing the Growth in Annual Compensation Cost Increases:**

The primary driver in annual expenditure cost increases is compensation. In order to maintain the City's financial stability, the annual growth in compensation-related costs (salary and benefits) will need to be contained to match the City's ability to pay. The City will need to be cautious in committing to negotiated compensation increases to assure that they are affordable and within the City's means.

- **Containment of Long-Term Benefit Cost Increases:**

The City has been, and will continue to be, challenged to fund the long-term obligations relating to long-term benefit costs—specifically the PERS pension obligation and the Retirees' Health Insurance Program. These two benefit areas represent the greatest challenge to the City's long-term financial stability. Future cost escalations relating to these two programs threaten the City's ability to maintain appropriate service levels as well as the ability of the City to fund other aspects of compensation, including those related to salary and other benefit areas. Without structural changes to both programs, the City's financial future will be very challenging.

- **Deferring Capital Improvement Projects Requiring Increased Maintenance and Operating Costs:**

Caution will need to be exercised in proceeding with capital improvement projects that increase operating and/or maintenance costs. While some projects do not increase costs (or, such as energy conservation projects, can even decrease operating costs), many do. For example, the two neighborhood parks currently under design will require either an increase in the City's financial commitment to park

maintenance or, more likely, will result in an incremental decrease in the quality of park maintenance throughout the system as existing resources are further stretched. Until the City's fiscal condition is stabilized, there should be a thorough assessment of the operating cost of new facilities prior to proceeding with such projects.

- **Workers' Compensation Insurance Program Administration:**

Based on a preliminary analysis, there may be operational and policy changes that could be implemented to help manage costs associated with the Workers' Compensation insurance program. These could include greater use of "light-duty" programs and strategies to shorten the length of time that employees are off work. These changes have the potential to increase productivity and decrease costs, including those associated with backfilling temporarily vacant positions with overtime funds.

- **Additional Organizational Functional Consolidations/Reorganizations:**

While the City has a long history of evaluating and implementing functional consolidations/reorganizations to achieve greater efficiencies, we will need to continue to examine and implement such changes. The examination of potential structural changes that will help achieve greater efficiencies will continue to be a priority.

- **Alternative Service Delivery Models:**

There are a variety of alternative service delivery models that could be examined for some services currently provided "in-house" by City staff. These include:

- Contracting out to a private business service provider or nonprofit agency.
- Consolidating services through a contract or Joint Powers Agreement (JPA) with other area governmental agencies (other cities, school districts, etc.).

Potential examples include consolidating fire suppression services with the Santa Clara County Fire Department or forming a North County Fire JPA. Contracting out the operation of the Shoreline Golf Links and/or the Center for Performing Arts are other examples of potential alternative service delivery models. The escalating costs associated with our animal control contract with Palo Alto and multiple public safety specialty services (such as fire department hazardous response teams or police department SWAT teams) are also areas for potential review.

The Santa Clara County City Manager's Association is beginning to design a process to undertake a review of potential areas for joint service delivery.

- **Fire Department Minimum Staffing Requirement:**

Unlike any other City service, there currently exists a "minimum staffing" requirement in our bargaining agreement with the Firefighters' local. This states that the City is required to maintain 21 Firefighters on duty at all times. In the case of other City services, the City retains the right to determine staffing levels based on need and affordability. The budget provides for "overstaffing" of each of the three daily shifts by two Firefighters to provide for vacation, sick leave and other leaves. However, whenever vacation, sick leave or other leaves reduce the level of staffing below 21, staff is called back on overtime. This cost amounts to approximately \$1.0 million per year. Without minimum staffing (or reducing the minimum to 19), it would be possible to save a substantial portion of these costs while maintaining full staffing on each of the City's five fire engines. This may require taking the two-person rescue unit out of service when below 21 Firefighters on duty or some other service delivery/staffing configuration modification.

**Revenues:**

- **Voter-Approved Tax Measure:**

The City has primarily depended on expenditure reduction/management to deal with significant budget challenges. While there have been some changes in regard to fees and charges (cost recovery), unlike many other local cities, Mountain View voters have not been asked to supplement City revenues via a tax measure. As expenditure and service cuts become more difficult, the City Council may choose to ask the voters if they would prefer a tax measure revenue increase versus additional service reductions.

Options available include increasing the rate of the Utility Users Tax, increasing the local Sales Tax rate, increasing the Transient Occupancy Tax rate and modifying the Business License Tax structure. While the amount that can be raised varies significantly between these options, some could significantly enhance the General Operating Fund's current revenue base.

- **Economic Development:**

The City's economic development efforts must continue to be a priority in order to maximize local economic growth and revenue development. City assets, including City-owned properties, should be used to the greatest extent feasible for revenue enhancement.

- **Lighting and Landscape District:**

A Lighting and Landscape District can provide funding for services to a portion of a city or an entire city. Many communities have established such districts to fund services such as street landscaping maintenance, street tree maintenance, streetlight maintenance, etc. Unlike tax measures, a public vote is not required. However, notification of all property owners and the ability to protest (with a majority protest defeating the proposed district) is the authorization mechanism.

- **Downtown Maintenance District:**

The City's downtown area (Castro Street and adjoining streets) receives a higher level of maintenance than other areas of the community, including other commercial districts. Due to the higher level of maintenance and higher costs, it is not unusual to establish a specific funding mechanism to cover the costs of this higher service level paid for the property owners and/or businesses. Such charges can be via the Business Improvement District mechanism or a maintenance assessment district.

SN/2/FIN

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